ANNUAL REPORT 2018

United Malacca Berhad
(1319-V)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 104th Annual General Meeting of the Company will be held at the United Malacca Berhad Building , 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka on Friday, 24 August 2018 at 11.00 a.m. for the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 30 April 2018 and the Reports of the Directors and Auditors thereon. Please refer to Note (6)

2. To approve the payment of Directors' fees of the Company and its subsidiaries amounting to RM610,000 for the financial year ended 30 April 2018. (Refer to Notes 7) [Resolution 1]

3. To approve the payment of Directors' remuneration (excluding Directors' fees) totalling RM90,473 for the period from 1 May 2018 to 24 August 2018. (Refer to Notes 8) [Resolution 2]

4. To re-elect Mr. Tan Jiew Hoe, a Director retiring by rotation in accordance with Article 118 of the Company's Articles of Association. [Resolution 3]

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 30 April 2019 and to authorise the Board of Directors to determine their remuneration. [Resolution 4]

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions with or without amendment as Ordinary Resolution:-

6. **ORDINARY RESOLUTION**

   Continuing In Office as Independent Non-Executive Director by Mr. Tan Jiew Hoe

   "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Mr. Tan Jiew Hoe who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." [Resolution 5]

7. **ORDINARY RESOLUTION**

   Continuing In Office as Independent Non-Executive Director by Tan Sri Dato' Ahmad Bin Mohd Don

   "THAT Tan Sri Dato' Ahmad Bin Mohd Don who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company." [Resolution 6]

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Yong Yoke Hiong (MAICSA 7021707)
Pang Poh Chen (MACS 01405)
Company Secretaries
Melaka

Date: 1 August 2018

NOTES:

(1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

(2) The right of Foreign Depositors to vote in respect of their deposited securities with Bursa Malaysia Depository Sdn. Bhd. is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories)(Foreign Ownership) Regulations, 1996. The position of Depositors in this regard will be determined based on The General Meeting Record of Depositors. Depositors whose shares exceed the prescribed limit as at the date of The General Meeting Record of Depositors may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by a Depositor who is not entitled to vote will also not be entitled to vote at the above meeting.

(3) The instrument appointing a proxy must be deposited at the Registered Office of the Company at United Malacca Berhad Building, 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka not less than forty-eight hours before the time appointed for holding the Meeting or any adjournment thereof for the proxy to be valid.

(4) Only members whose names appear in the Register of Members or registered in the General Meeting Record of Depositors on or before 5.00 p.m. on 16 August 2018 shall be eligible to attend the Annual General Meeting.

(5) **Poll Voting**

Pursuant to Paragraph 8.29(A) of the Main Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

(6) **Agenda 1**

The Audited Financial Statements for the financial year ended 30 April 2018 will be laid at the Company's Annual General Meeting in accordance with Section 340(1)(a) of the Companies Act, 2016. Therefore, Agenda 1 is for presentation of the said Financial Statements together with the accompanying Reports to shareholders for discussion only. Hence, no voting is required.

(7) **Agenda 2**

Section 230(1) of the Companies Act 2016 provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In view of the increased Directors' responsibilities and the level of Directors' involvement following the Company's expansion to Indonesia and having considered the quantum of Directors' fees over the past 7 years from 2011 to 2017, the Board at its meeting held in July 2017 approved the Nomination and Remuneration Committee's recommendation for the revision of the quantum of Directors' fees as set out in the far right column of the table below:-

Directors' Fees*	2011 to 2017	2018
Non-Executive Chairperson	RM80,000 per annum	RM100,000 per annum
Non-Executive Director	RM40,000 per annum	RM60,000 per annum

** in relation to United Malacca Berhad.*

Resolution 1 is to seek shareholders' approval for the payment of Directors' fees to the Non-Executive Chairperson and Non-Executive Directors of the Company and its subsidiaries in respect of the financial year ended 30 April 2018.

(8) **Agenda 3**

At the last 103rd Annual General Meeting, the Company sought shareholders' approval to pay the Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors up to an aggregate amount of RM420,000 from 1 May 2017 until the next Annual General Meeting. For the period from 1 May 2017 to 30 April 2018, the Company paid Directors their remuneration (excluding Directors' fees) totalling RM396,973. Directors' remuneration for the period from 1 May 2018 to 24 August 2018 will be RM113,500. The approved aggregate sum of RM420,000 will be insufficient to pay the said sum of RM113,500. The insufficient sum was due to the increase in the Board Committees' fees as well as enlarged Board size.

Resolution 2 seeks shareholders' approval to pay the additional Directors' remuneration (excluding Directors' fees) totalling RM90,473 to Non-Executive Chairperson and Non-Executive Directors for the period from 1 May 2018 to 24 August 2018.

(9) **Explanatory Note on Special Business**

Resolution Nos. 5 and 6

The Board of Directors via the Nomination and Remuneration Committee had conducted an annual performance evaluation and assessment of Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe, who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years. The Board is of the opinion that both Directors contributed meaningful insights and expertise during Board discussion and deliberation process and have exceptional skills that benefit the Company. Both Directors are able to bring independent and objective judgement to the Board's deliberations and their positions in the Board have not been compromised by their familiarity and long relationship with other Board members. The Board recommends to retain Tan Sri Dato' Ahmad Bin Mohd Don and Mr. Tan Jiew Hoe as Independent Non-Executive Directors of the Company.

STATEMENT ACCOMPANYING NOTICE OF 104TH ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.27(2), APPENDIX 8A OF THE BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

The Director who is standing for re-election is Mr. Tan Jiew Hoe. He does not have any interest in shares, direct or indirect in the subsidiaries of United Malacca Berhad.

Further details of Mr. Tan Jiew Hoe can be found in the Profile of Directors on page 009 of this Annual Report. His holding of shares, direct or indirect in United Malacca Berhad can be found in the Analysis of Shareholdings on page 201 of this Annual Report.

The following Directors whose profiles are as set out on pages 008 and 009 of the Annual Report are seeking continuation as Independent Non-Executive Directors:-

(1) Tan Sri Dato' Ahmad Bin Mohd Don
(2) Mr. Tan Jiew Hoe

The details of Directors' attendance at Board Meetings held during the financial year ended 30 April 2018 are as follows:-

Directors	Attendance
Datin Paduka Tan Siok Choo	8 of 8 Meetings
Tan Sri Dato' Ahmad Bin Mohd Don	8 of 8 Meetings
Mr. Tan Jiew Hoe	6 of 8 Meetings
Mr. Teo Leng	8 of 8 Meetings
Dato Dr Nik Ramlah Binti Nik Mahmood	7 of 8 Meetings
Mr. Ong Keng Siew	8 of 8 Meetings

GROUP HIGHLIGHTS

	2018	2017
PRODUCTION		
	tonne	tonne
Crude palm oil	63,244	60,025
Palm kernel	15,237	14,586
Fresh fruit bunches	380,981	335,990
FINANCIAL		
	RM'000	RM'000
Revenue	277,728	274,709
Profit:		
Before tax	58,603	98,888
Net of tax	46,217	85,889
Profit net of tax attributable to:		
Owners of the Company	48,429	84,554
Non-controlling interests	(2,212)	1,335
	46,217	85,889
	sen	sen
Earnings per share attributable to owners of the Company:		
Basic/Diluted	23.12	40.41
Dividend per share:		
Gross/Net	12.00	23.00
	RM'000	RM'000
Total assets	2,100,881	2,139,234
	RM	RM
Net assets per share attributable to owners of the Company	7.97	8.38

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATIN PADUKA TAN SIOK CHOO *(Chairperson)*
Non-Independent Non-Executive Director
TAN SRI DATO' AHMAD BIN MOHD DON
Independent Non-Executive Director
MR. TAN JIEW HOE
Independent Non-Executive Director
MR. TEO LENG
Non-Independent Non-Executive Director
DATO DR NIK RAMLAH BINTI NIK MAHMOOD
Independent Non-Executive Director
MR. ONG KENG SIEW
Independent Non-Executive Director

AUDIT COMMITTEE

TAN SRI DATO' AHMAD BIN MOHD DON *(Chairman)*
MR. TAN JIEW HOE
DATO DR NIK RAMLAH BINTI NIK MAHMOOD
MR. ONG KENG SIEW

BOARD TENDER COMMITTEE

TAN SRI DATO' AHMAD BIN MOHD DON *(Chairman)*
DATIN PADUKA TAN SIOK CHOO
MR. TEO LENG

NOMINATION AND REMUNERATION COMMITTEE

MR. TAN JIEW HOE (*Chairman*)
TAN SRI DATO' AHMAD BIN MOHD DON
DATO DR NIK RAMLAH BINTI NIK MAHMOOD
MR. ONG KENG SIEW

EXECUTIVE COMMITTEE

MR. TEO LENG (Chairman)
DATIN PADUKA TAN SIOK CHOO
MR. PETER BENJAMIN

SECRETARIES

MS. YONG YOKE HIONG (MAICSA 7021707)
MS. PANG POH CHEN (MACS 01405)

SENIOR MANAGEMENT

MR. PETER BENJAMIN
Chief Executive Officer
MR. ANANTAKRISHNAN A/L A.R. NAMBIAR
Senior Plantation Controller
MR. CHIA THIM SIONG
Plantation Controller
MR. FABIAN FERNANDEZ
Mill Controller
MR. WINSTON CHUA ENG MENG
General Manager (Plantation) - PT LAK

HEAD OFFICE/REGISTERED OFFICE

6th Floor, No. 61, Jalan Melaka Raya 8
Taman Melaka Raya, 75000 Melaka
P.O.Box 117, 75720 Melaka

Tel	:	06-2823700
Fax	:	06-2834599
Email	:	umb@unitedmalacca.com.my
Website	:	www.unitedmalacca.com.my

DATE AND PLACE OF INCORPORATION

Incorporated on 27 April 1910 in Malaysia

AUDITORS

Ernst & Young
Level 16-1, Jaya99, Tower B
99, Jalan Tun Sri Lanang
75100 Melaka

Tel	:	06-2882399
Fax	:	06-2832899

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301
Petaling Jaya, Selangor

Tel	:	03-78490777
Fax	:	03-78418151

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Sector : Plantation
Stock Short Name : UMCCA
Stock Code : 2593

DATIN PADUKA TAN SIOK CHOO

(Chairperson & Non-Independent Non-Executive Director)

A Malaysian, Datin Paduka Tan Siok Choo, aged 66, is the Chairperson. She joined the Board on 8 December 1988 and was unanimously elected by the Directors as Chairperson in July 2011. An Independent Non-Executive Director, on 17 July 2014 she was re-designated as Non-Independent Non-Executive Director. She is a member of the Executive Committee and Board Tender Committee. She sits on the Board of the Group's subsidiaries namely Leong Hin San Sdn Bhd, Meridian Plantations Sdn Bhd, Syarikat Penanaman Bukit Senorang Sdn Bhd, South-East Pahang Oil Palm Berhad, Melaka Pindah Properties Sdn Bhd and Masjid Tanah Properties Sdn Bhd. She is also the President Commissioner of PT Lifere Agro Kapuas, the Group's subsidiary in Indonesia.

She holds a Bachelor of Law degree from the University of Bristol, U.K. and was admitted as a Barrister at Lincoln's Inn, London in 1976 and to the Malaysian Bar in 1977.

On 31 October 2015, Datin Paduka Tan Siok Choo was conferred the Honorary Doctorate of Philosophy in Plantation Management by Universiti Putra Malaysia in recognition of her contribution to the plantation industry.

Datin Paduka Tan Siok Choo has had a varied career in corporate finance, stockbroking, executive search and journalism. She was head of Corporate Finance in Southern Bank Berhad, worked as an investment analyst for Rashid Hussain Securities as well as Morgan Grenfell Asia & Partners' Securities, did a short stint with the world's largest executive search firm, Korn Ferry International, and was a journalist with Business Times and The Sunday Star. She is currently a columnist for The Sun.

She was appointed a Visiting Fellow of the Institute of Strategic and International Studies (ISIS) Malaysia on 1st September 1998. She had served on the Board of OCBC Bank (Malaysia) Berhad and OCBC AL-AMIN Berhad until 27 July 2014. She is currently a Director of several private companies.

Datin Paduka Tan Siok Choo is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. She attended all eight Board Meetings held during the financial year ended 30 April 2018. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

TAN SRI DATO' AHMAD BIN MOHD DON
(Independent Non-Executive Director)

Tan Sri Dato' Ahmad Bin Mohd Don, aged 71 and a Malaysian was appointed as an Independent Non-Executive Director on 1 October 2006. He is Chairman of the Audit Committee and Board Tender Committee as well as a member of the Nomination and Remuneration Committee. He is a Director of International Natural Resources Pte Ltd, the Group's subsidiary in Singapore.

Tan Sri Dato' Ahmad graduated with a Bsc. Econ. Honours Degree from the Aberystwyth University, United Kingdom in 1969. He is a Fellow of The Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Dato' Ahmad started his career with the Corp of Accountants, Government of Malaysia between 1972 and 1973 before joining the private sector. He served as the Financial Controller between 1973 and 1980 in companies such as Syarikat Jengka Sdn. Bhd., Mansfield Berhad and Pernas Securities Sdn. Bhd. where he was also the Company Secretary. In November 1980, he joined Permodalan Nasional Berhad as the Deputy General Manager and was involved in the planning and launching of the National Unit Trust Scheme in 1981. Subsequently in April 1982, he joined Malayan Banking Berhad as General Manager, Treasury. During his service with Malayan Banking Berhad, he rose through the ranks of Senior General Manager and Board Member, then as Executive Director and in January 1991 he was appointed the Group Managing Director and Chief Executive Officer, a position which he held until 1994.

He was the Governor of Bank Negara Malaysia from May 1994 to August 1998. He is currently an Independent Non-Executive Chairman of Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad), Alliance Bank Malaysia Berhad and Hap Seng Plantations Holdings Berhad. He is also the Chairman/Non-Independent Non-Executive Director of Zurich Life Insurance Malaysia Berhad (formerly known as Zurich Insurance Malaysia Berhad).

He is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. He attended all eight Board Meetings held during the financial year ended 30 April 2018. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

MR. TAN JIEW HOE
(Independent Non-Executive Director)

Mr. Tan Jiew Hoe, aged 71 and a Singaporean, joined the Board as Alternate Director on 9 June 1997 and was subsequently appointed as Director on 30 March 2007. He is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He sits on the Board of several subsidiaries of the Group in Malaysia and is the Chairman of International Natural Resources Pte Ltd, the Group's subsidiary in Singapore.

In the year 2000, Mr. Tan was awarded silver medal for 10-19 years' service as a Director of Singapore Chinese Girls School by Ministry of Education. In 2010 he was awarded a gold medal for more than 20 years of service as a Director of Singapore Chinese Girls School by Ministry of Education.

He was also awarded Pingat Bakti Masyarakat (PBM) by the President of Singapore in November 2013 for his contribution for the Public Service from the National Parks Board. The award was given in recognition of his 30 years' contribution and support for plant introduction and botany publications.

Mr. Tan is currently a Director of several private companies in Malaysia and Singapore and is a keen plantsman. He is not related to any Director and/or major shareholder of United Malacca Berhad. He has no personal interest in any business arrangement involving the Company.

He attended six out of eight Board Meetings held during the financial year ended 30 April 2018. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

MR. TEO LENG

(Non-Independent Non-Executive Director)

Mr. Teo Leng, aged 66 and a Malaysian, was appointed as an Independent Non-Executive Director on 1 September 2009. He was re-designated as Non-Independent Non-Executive Director on 10 July 2017. He is Chairman of the Executive Committee and a member of the Board Tender Committee. He is also a Director of several subsidiaries of the Group in Malaysia and is a member of the Board of Commissioners of PT Lifere Agro Kapuas, the Group's subsidiary in Indonesia.

Mr. Teo graduated with First Class Honours in Bachelor of Agriculture Science in 1976 from University of Malaya and holds a Master of Science (Soil Chemistry) from University of Wisconsin @ Madison, USA.

He joined the Malaysian Agricultural Research and Development Institute (MARDI) in 1976 as a Research Officer and began his career at EPA Management Sdn Bhd, a subsidiary of Kulim (Malaysia) Berhad, as an Agronomist in 1983, rising in ranks to the position of Director of Research and Development in January 1996. In January 2002, he was appointed Estate Director (Malaysia), a position which he held until his retirement in April 2008. He was a Consulting Advisor (Plantations) with Kulim (Malaysia) Berhad until March 2011.

During his 28 years' career at EPA Management Sdn. Bhd., Mr. Teo was responsible for the full implementation of requirements pertaining to certification under Roundtable for Sustainable Palm Oil (RSPO) and was also involved in the development and commercialization of Mill Integrated Waste Management System (MIWAMAS), a green technology converting empty fruit bunches and palm oil mill effluent to biocompost.

He has been an active committee member of national associations involved in oil palm, rubber and cocoa industry in various agricultural organizations. He was a past Board member of Malaysian Palm Oil Board (MPOB). He was also a Council member of Malaysian Palm Oil Association (MPOA), The Malayan Agricultural Producers Association (MAPA) and Environmental Quality Council (EQC) of Kementerian Sumber Asli & Alam Sekitar. He is currently a member of the MPOA Council, as well as Research and Development main committee.

Mr. Teo is an Independent Non-Executive Director of Southern Acids (M) Berhad and several private companies in Malaysia.

He is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. He attended all eight Board Meetings held during the financial year ended 30 April 2018. He has not been convicted of any offence within past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

DATO DR NIK RAMLAH BINTI NIK MAHMOOD
(Independent Non-Executive Director)

Dato Dr Nik Ramlah Binti Nik Mahmood, aged 62 and a Malaysian, was appointed as an Independent Non-Executive Director on 3 January 2017. She is a member of the Audit Committee as well as the Nomination and Remuneration Committee.

Dato Dr Nik Ramlah holds a First Class Honours in Law from University Malaya and LLM and PhD from University of London.

Dato Dr Nik Ramlah Binti Nik Mahmood retired as Deputy Chief Executive of Securities Commission Malaysia (SC) in March 2016. She was appointed Deputy Chief Executive of the SC and member of the Commission on 1 April 2012. She joined the SC in 1993 as Manager of Law Reform and went on to become Director of the Policy and Development Division in 1997. In 2008, she was made Managing Director and Executive Director of the Enforcement Division. Prior to joining the SC, Dato Dr Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya.

Dato Dr Nik Ramlah has been instrumental in developing many areas of the capital market. She has extensive experience in areas ranging from regulatory policy, legal reform, product and market development, corporate governance, Islamic capital market, investor education and enforcement.

Dato Dr Nik Ramlah is a member of the Board of Directors of Perbadanan Insurans Deposit Malaysia (PIDM) and the Securities Industry Development Corporation (SIDC). She is a member of the Financial Services Professional Board and a member of the Senate of INCEIF, the global university for Islamic finance.

Dato Dr Nik Ramlah is also an Independent Non-Executive Director of Amanah Saham Nasional Berhad and Axiata Group Berhad.

Dato Dr Nik Ramlah is not related to any Director and/or major shareholder of United Malacca Berhad and has no personal interest in any business arrangement involving the Company. She attended seven out of eight Board Meetings held during the financial year ended 30 April 2018. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

MR. ONG KENG SIEW
(Independent Non-Executive Director)

Mr. Ong Keng Siew, aged 62 and a Malaysian, was appointed as an Independent Non-Executive Director on 19 January 2017. He is a member of the Audit Committee as well as the Nomination and Remuneration Committee.

Mr. Ong is a Fellow of the Chartered Association of Certified Accountants, United Kingdom. He is also a member of the Malaysian Institute of Accountants.

Mr. Ong joined the Board of Paramount Corporation Berhad on 14 November 1994 and was re-designated as an Independent Non-Executive Director on 14 August 2014. He is also a member of the Audit, Nominating and Board Risk Management Committees of Paramount Corporation Berhad.

Mr. Ong Keng Siew has served the Paramount Corporation Berhad in various positions for more than 30 years before retiring in 2012. He began his career with the Paramount Corporation Berhad as an Accountant in 1981 and was promoted to the position of Finance and Administration Manager in 1984. He was subsequently appointed as General Manager to oversee the operations of the property development and construction divisions in 1989. Mr. Ong assumed the post of Deputy Group Managing Director & Deputy Group CEO in 1997. He was appointed as the Managing Director & CEO of Paramount Corporation Berhad on 1 December 2008.

On 18 June 2012, after serving the Paramount Corporation Berhad with distinction for more than 30 years, Mr. Ong retired as the Managing Director & CEO of Paramount Corporation Berhad.

He is not related to any Director and/or major shareholder of United Malacca Berhad. He has no personal interest in any business arrangement involving the Company. He attended all eight Board Meetings held in the financial year ended 30 April 2018. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF CHIEF EXECUTIVE OFFICER

MR. PETER BENJAMIN

Mr. Peter Benjamin, aged 61 and a Malaysian is the Chief Executive Officer. He joined United Malacca Berhad on 1st May 2014. He graduated from the University of Kerala, India with a Bachelor Of Science Degree (Botany).

He has working experience of 39 years in the plantation industry holding various Senior Management positions in different companies. He has the experience in managing various crop during his career, oil palm, cocoa, forestry, sago, coconut and rubber.

Started his career as a Field Conductor with Kuala Lumpur Kepong in 1979 and in 1982 joined Boustead Estates Agency as an Assistant Manager and moved up to Estate Manager. During the period, he was involved in new plantings, managed cocoa, coconut seed garden and oil palm plantations.

In 1992 was absorbed into Tradewinds when there was a change of management from Boustead to Tradewinds and was later transferred to Distinct Plantation Services, which was managing the MKIC Group's plantations. He was appointed as the Planting Advisor/General Manager of the company.

In 2000, he joined Eminent Capital (Berjaya Group) as General Manager for the Plantation and Oil Mill.

In 2004, he decided to venture into Indonesia and worked in different companies, with PT Arara Abadi (Sinar Mas Group) as District Manager managing 42,000 Ha of forestry plantation and later promoted to Plantation Controller for 250,000 Ha.

In 2007, he decided to return to planting of oil palm and to handle the challenge of working in Papua New Guinea with the US agriculture giant Cargill.

In 2010, he returned to Indonesia as Head of Plantations for PT Ganda Group and later joined Sampoerna Agro as Chief Operating Officer for Oil Palm and other crops which included sago, rubber, bamboo and industrial forestry.

He is currently the Honorary Secretary of the Malaysian Palm Oil Association (MPOA), the Vice-President of the Malaysian Estates Owners Association (MEOA) and is an alternate Board member of the Malaysian Palm Oil Board (MPOB). He is also a Director on the Board of subsidiaries of United Malacca Berhad, namely, Meridian Plantations Sdn. Bhd., Syarikat Penanaman Bukit Senorang Sdn. Bhd., South-East Pahang Oil Palm Berhad, Leong Hin San Sdn. Bhd., Masjid Tanah Properties Sdn. Bhd. and Melaka Pindah Properties Sdn. Bhd as well as the President Director of PT Lifere Agro Kapuas, the Group's subsidiary in Indonesia.

He is not related to any Director and/or major shareholder of United Malacca Berhad and also has no personal interest in any business arrangement involving the company. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

MR. ANANTAKRISHNAN A/L A.R. NAMBIAR-*Senior Plantation Controller*

Nationality / Age / Gender	**Date Appointed**
Malaysian / 58 / Male	15 December 2014

Qualification
- Bachelor of Science (Zoological Science)

Working Experience
- Agriculturist Incorporated Sdn Bhd (1984 – 1996)
- Myanmar Syklink Agro Sdn Bhd (1996 – 2000)
- Tung Hup Enterprise (2000 – 2009)
- Wilmar Africa (2009 – 2014)

MR. CHIA THIM SIONG-*Plantation Controller*

Nationality / Age / Gender	**Date Appointed**
Malaysian / 63 / Male	1 March 2012

Qualification
- Malaysian Certificate of Education
- Associate Incorporated Society of Planter (AISP)

Working Experience
- Rank & File with Barlow Boustead Company. (Rubber) (1975 – 1980)
- Assistant Manager in Hap Seng Plantation (Oil Palm) (1981 – 1983)
- Kumpulan Guthrie Berhad / Sime Darby Plantation (Cocoa, Oil Palm) (1984 – 2011)
- Plantation Controller in United Malacca Berhad (since 2012)

MR. FABIAN FERNANDEZ-*Mill Controller*

Nationality / Age / Gender	**Date Appointed**
Malaysian / 47 / Male	1 May 2016

Qualification
- Master of Business Administration (Wales)
- Marine Engineer
- 1st Grade Steam Engineer
- Diploma in Marine Engineering
- Certified Corporate Coach

Working Experience
- Marine Engineer in Merchant Marine
- Mill Manager in Boustead Estates, United Plantations Berhad and Cargill.
- Business Unit Head for Maintenance and Reliability in Cargil (2009)
- Visiting Engineer for Boustead Plantations (2014)
- United Malacca Berhad as Mill Controller (since May 2016)

MR. WINSTON CHUA ENG MENG-*General Manager (PT. Lifere Agro Kapuas)*

Nationality / Age / Gender	**Date Appointed**
Malaysian / 46 / Male	15 March 2016

Qualification
- Sijil Tinggi Persekolahan Malaysia (STPM)

Working Experience
- Manager in IOI Corporation Berhad (12 years in Peninsular and 3 years in Sabah) (1994 – 2009)
- Senior Manager in Genting Plantations Berhad – Plantation Advisory HO and Mewah Estate, Sandakan, Sabah (2009 – 2011)
- General Manager Estates of TSH Resources Berhad – overseeing all plantation properties in Indonesia (2011 – 2013)
- General Manager of Julong Group Indonesia – Managing PT Grand Mandiri Utama (GMU) in Sintang Kalimantan Barat (2013 – 2015)

Save as disclosed, the above Key Senior Management members have no directorship in Public Companies, no family relationship with any Director and/or major shareholders of United Malacca Berhad, no conflict of interest with United Malacca Berhad, have not been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

CHAIRPERSON'S STATEMENT

In line with United Malacca's commitment to sustainability, before the end of this calendar year, all estates in Malaysia and in Kalimantan, Indonesia will be MSPO and ISPO certified. Estates in Pahang and Sabah were MSPO certified during the year under review, while the remaining areas in Negeri Sembilan, Melaka and Johor as well as the 11,416 hectare LAK estate in Kalimantan, Indonesia are scheduled to be certified before end 2018.

FROM THE CHAIR

ON BEHALF OF THE BOARD OF DIRECTORS OF UNITED MALACCA BERHAD, I PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 30 APRIL 2018 (FY2018).

BUSINESS PERFORMANCE

Prices for palm oil in FY2018 were lower compared with the previous financial year. Averaging RM2,621 and RM2,306 per tonne for crude palm oil (CPO) and palm kernel (PK), prices were 7% and 18% lower than the preceding year's average of RM2,832 and RM2,825 per tonne.

Output of fresh fruit bunches (FFB) in the year under review of 380,981 tonnes was 13% higher than the 335,990 tonnes recorded in the preceding year. Increased output was mainly due to improved yields in mature areas and an additional 4,640 hectares coming into maturity (Malaysia - 1,679 hectares and Indonesia - 2,961 hectares). After recovering from the dry spell caused by El Nino in FY2015/2016, continuous rain and floods during the year under review, due to the La Nina weather phenomenon, affected oil palms in Sabah and Kalimantan. Compared with the preceding year, FFB output from Malaysian operations rose by 11% to 352,514 tonnes during the year under review while FFB output from Indonesian operations jumped by 48% to 28,467 tonnes.

Group pre-tax profit of RM58.60 million was 41% lower compared with RM98.89 million in the preceding year. This was mainly due to the combined impact of lower average prices of CPO and PK by 7% and 18% respectively as well as the newly matured palms of 4,640 hectares (Malaysia - 1,679 hectares and Indonesia - 2,961 hectares) that came into harvesting at the beginning of the current financial year. Because yields from newly matured oil palms planted over 4,640 hectares are low before reaching the prime age in the 4th year of harvesting, unit cost of production is high. In addition, lower pre-tax profit was also due to lower investment profit of RM3.27 million compared with RM9.01 million in the preceding year; the latter figure included a RM20.19 million gain on disposal of available-for-sale investments that more than offset the adverse impact of net foreign exchange loss of RM13.65 million.

At the Company level, pre-tax profit of RM49.17 million was 43% lower than the preceding year. This was mainly due to sharply lower dividend declared from subsidiaries which fell by 69% or RM35.86 million as well as higher interest expense.

In FY2018, freehold land, long-term leasehold land, buildings and biological assets of the Group were revalued. The valuation was determined by reference to open market value on an existing use basis.

Visit to Machap Estate by Directors and Chief Executive Officer

BUSINESS PERFORMANCE (continued)

Despite a revaluation surplus of RM347.84 million on freehold land, long-term leasehold land and buildings, the net revaluation surplus was only RM13.42 million after deducting a revaluation deficit of RM334.42 million on biological assets with an older age profile. Including the deferred tax provided for revaluation surplus on freehold land, long-term leasehold land and buildings, the Group's net assets was reduced by RM62.47 million or RM0.30 per share.

UMB's earnings, dividends and asset per share continue to be stable.

During the financial year, the Company's issued share capital increased from RM209,494,131 to RM212,084,031 due to the issue of 301,200 ordinary shares under the Employees' Share Option Scheme and 109,800 ordinary shares pursuant to the Executive Share Incentive Plan.

DIVIDENDS

The Board declared a second interim single-tier dividend of 6 sen for the financial year ended 30 April 2018 payable on 20 August 2018.

Together with the first interim single-tier dividend of 6 sen paid on 8 February 2018, the total single-tier dividend for the financial year ended 30 April 2018 is 12 sen or RM25.16 million. For the preceding financial year, United Malacca paid a total single-tier dividend of 23 sen amounting to RM48.14 million.

Donation Presentation to non-profit organisations during UMB 2017 Annual Dinner

The Board of Directors does not recommend any final dividend for the financial year ended 30 April 2018.

SUSTAINABILITY & CORPORATE RESPONSIBILITY

UMB's commitment to sustainable production is demonstrated by two key strategies:

1. The Group has moved towards MSPO and ISPO certification. To date, all Pahang and Sabah estates and mills have obtained MSPO certificate, the Negeri Sembilan, Melaka and Johor estates are expected to obtain MSPO certification by August 2018 while the Indonesian operations should be ISPO certified by end-2018.

2. As at 30 April 2018, RM2.04 million has been donated to University Putra Malaysia (UPM) under the UPM-UMB research collaboration project that began in 2013. To date, UPM has completed nine research projects aimed at advancing the oil palm industry while the latest ongoing project is focused on developing a pruning cum harvesting mechanism for oil palm.

More detailed activities are set out in the Sustainability Statement on page 032 to page 054 of this Annual Report.

CURRENT YEAR PROSPECTS

For FY2019, UMB expects better yields compared with FY2018 as the age profile improves and more areas come into maturity. UMB expects CPO price to be within the range between RM2,100 to RM2,500 per tonne in the next 12 months.

However, the adoption of new accounting standards, Malaysian Financial Reporting Standards (MFRS) effective FY2019 that require the value of bearer plants (previously known as biological assets) to be amortised, Group profit in FY2019 is expected to be significantly lower.

To ensure continued and sustained growth of good returns to shareholders, UMB will focus on yield improvements, cost controls and maximising profits from the newly-acquired plantation in Kalimantan, Indonesia.

MOVING FORWARD

While UMB continues to focus on improving yields on its oil palms, the Board is mindful of external factors beyond UMB's control that can impact profits – potential turbulence in the global economy, a weaker ringgit, rising interest rates and fluctuating palm oil prices.

The Board is also mindful of the challenges facing the oil palm industry, these include labour issues, environment challenges and potential sanctions imposed by EU and other countries that could curb the usage of palm oil. To mitigate these risks, UMB has accelerated mechanisation to reduce the need for labour and stepped up MSPO certification to meet sustainability standards.

A strong focus on controlling costs as well as prudent financial management have helped UMB to weather 107 years of volatile commodity prices. Building cash reserves has enabled UMB to remain consistently profitable through the years except in 1921, during the Great Depression in 1931 and the interruption of its operations during the Japanese occupation.

In keeping with UMB's core belief that people are its biggest assets, the Group has invested in improving the skills of its employees. For example, UMB has sent potential leaders to attend leadership and team building programmes during the year under review.

UMB is on track with plans to further diversify geographically to Sulawesi in Indonesia and to diversify its crops.

On 17 October 2017, UMB announced to Bursa Malaysia Securities Berhad ("Bursa") that it had entered into a conditional sale and purchase agreement ("CSPA") with the vendor Dalvey Star Limited ("Dalvey"), Clifton Cove Pte Ltd ("Clifton"), PT Bintang Gemilang Permai ("BGP") and PT Wana Rindang Lestari ("WRL") for the proposed acquisition by UMB of one (1) ordinary share of USD1.00 each (subsequently increased to 425,001 ordinary shares of USD1.00 each which included the conversion of a loan of USD425,000 from the Dalvey to Clifton to share capital) in Clifton, representing 100% equity interest in Clifton, which in turn will hold 60% effective equity interest in WRL, for a total cash consideration of USD7,190,400 or approximately RM30,332,702.

The acquisition is on track with the final details of the agreement being sorted out. For details of the Proposed Acquisition, please refer to the announcement to Bursa on even date.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all employees for their hard work and endeavour in financial year ended 30 April 2018.

As in previous years, during the financial year under review, my fellow directors have willingly spent much time and offered their invaluable advice – often beyond the ambit of their statutory responsibilities – in dealing with some major challenges United Malacca faced, particularly those relating to the operations of LAK in Indonesia and INR in Singapore and the proposed joint venture project in Sulawesi during the financial year under review.

DATIN PADUKA TAN SIOK CHOO
CHAIRPERSON

Chairperson greeting participants at United Malacca Berhad Sport Carnival in Multimedia University (MMU)

PENYATA PENGERUSI

Meridian Plantations, Sabah

KENYATAAN PENGERUSI

Selaras dengan komitmen United Malacca terhadap kelestarian, semua estet di Malaysia dan di Kalimantan, Indonesia akan diperakui dengan pensijilan MSPO dan ISPO sebelum penghujung tahun ini. Estet di Pahang dan Sabah telah diperakui dengan pensijilan MSPO pada tahun semasa, sementara kawasan selebihnya di Negeri Sembilan, Melaka dan Johor serta estet LAK seluas 11,416 hektar di Kalimantan, Indonesia dijangka diperakui sebelum akhir tahun 2018.

DARI PENGERUSI

Bagi pihak Lembaga Pengarah United Malacca Berhad, saya membentangkan Laporan Tahunan dan Penyata Kewangan yang Diaudit bagi Syarikat dan Kumpulan bagi tahun kewangan berakhir 30 April 2018 (TK 2018).

PRESTASI PERNIAGAAN

Harga minyak sawit pada TK 2018 adalah lebih rendah berbanding tahun kewangan sebelumnya. Dengan harga purata RM 2,621 dan RM 2,306 setan metrik bagi minyak sawit mentah (MSM) dan isirong sawit, harga tersebut adalah 7% dan 18% lebih rendah daripada harga purata tahun sebelumnya iaitu RM 2,832 dan RM 2,825 setan metrik.

Hasil pengeluaran buah tandan segar (BTS) pada tahun semasa berjumlah 380,981 tan metrik adalah 13% lebih tinggi daripada 335,990 tan metrik yang dicatatkan pada tahun sebelumnya. Peningkatan hasil pengeluaran adalah disebabkan oleh hasil yang baik di kawasan matang dan tambahan 4,640 hektar kawasan yang akan matang (Malaysia - 1,679 hektar dan Indonesia - 2,961 hektar). Setelah pulih dari cuaca kering yang disebabkan oleh El Nino pada TK 2015/2016, hujan dan banjir yang berterusan sepanjang tahun semasa disebabkan oleh fenomena cuaca La Nina telah menjejaskan pokok kelapa sawit di Sabah dan Kalimantan. Berbanding tahun sebelumnya, hasil pengeluaran BTS dari operasi Malaysia telah meningkat sebanyak 11% kepada 352,514 tan metrik pada tahun semasa manakala hasil pengeluaran BTS dari operasi Indonesia melonjak sebanyak 48% kepada 28,467 tan metrik.

Keuntungan sebelum cukai Kumpulan sebanyak RM 58.60 juta adalah 41% lebih rendah berbanding RM 98.89 juta pada tahun sebelumnya.

Ini disebabkan terutamanya oleh kesan gabungan harga purata MSM dan isirong sawit yang lebih rendah sebanyak 7% dan 18% serta kawasan penanaman kelapa sawit yang baru matang iaitu 4,640 hektar (Malaysia - 1,679 hektar dan Indonesia - 2,961 hektar) yang dituai pada permulaan tahun kewangan semasa. Unit kos pengeluaran adalah tinggi kerana hasil daripada pokok kelapa sawit yang baru matang dari 4,640 hektar adalah rendah sebelum mencapai usia prima iaitu pada tahun ke-4 penuaian. Di samping itu, keuntungan sebelum cukai yang lebih rendah juga disebabkan oleh keuntungan pelaburan yang lebih rendah sebanyak RM 3.27 juta berbanding dengan RM 9.01 juta pada tahun sebelumnya; angka terakhir itu termasuk keuntungan sebanyak RM 20.19 juta daripada pelupusan pelaburan sedia untuk dijual bagi mengimbangi kesan buruk kerugian bersih pertukaran wang asing sebanyak RM 13.65 juta.

Di peringkat Syarikat, keuntungan sebelum cukai sebanyak RM 49.17 juta adalah 43% lebih rendah berbanding tahun sebelumnya. Ini disebabkan terutamanya oleh kejatuhan dividen yang lebih rendah yang diisytiharkan oleh subsidiari sebanyak 69% atau RM 35.86 juta serta peningkatan perbelanjaan faedah.

Pada TK 2018, tanah pegangan bebas, tanah pajakan jangka panjang, bangunan dan aset biologi Kumpulan telah dinilai semula. Penilaian ditentukan dengan merujuk kepada nilai pasaran terbuka pada asas penggunaan sedia ada.

Walaupun dengan lebihan penilaian sebanyak RM 347.84 juta untuk tanah pegangan bebas, tanah pegangan pajakan jangka panjang dan bangunan, lebihan penilaian semula bersih hanya RM 13.42 juta selepas ditolak defisit penilaian semula sebanyak RM 334.42 juta pada aset biologi dengan peningkatan profil umur. Termasuk cukai tertunda yang diperuntukkan bagi lebihan penilaian semula atas tanah pegangan bebas, tanah pegangan jangka panjang dan bangunan, aset bersih Kumpulan berkurang sebanyak RM 62.47 juta atau RM 0.30 sesaham.

Perolehan UMB, dividen dan aset sesaham terus stabil.

Pada tahun kewangan semasa, modal saham terbitan Syarikat meningkat daripada RM 209,494,131 kepada RM 212,084,031 disebabkan oleh terbitan 301,200 saham biasa di bawah Skim Opsyen Saham Kakitangan dan 109,800 saham biasa di bawah Pelan Insentif Saham Eksekutif.

DIVIDEN

Lembaga Pengarah mengisytiharkan dividen “single-tier” interim kedua sebanyak 6 sen bagi tahun kewangan berakhir 30 April 2018 yang akan dibayar pada 20 Ogos 2018.

Bersama dengan dividen “single-tier” interim pertama sebanyak 6 sen yang telah dibayar pada 8 Februari 2018, jumlah dividen “single-tier” bagi tahun kewangan berakhir 30 April 2018 adalah 12 sen atau RM 25.16 juta. Bagi tahun kewangan sebelumnya, United Melaka membayar dividen “single-tier” sebanyak 23 sen berjumlah RM 48.14 juta.

Lembaga Pengarah tidak mencadangkan sebarang dividen akhir bagi tahun kewangan berakhir 30 April 2018.

Kilang Minyak Sawit Meridian, Sabah

KELESTARIAN & TANGGUNGJAWAB KORPORAT

Komitmen UMB terhadap pengeluaran mampan melalui dua strategi utama:

1. Kumpulan telah menuju ke arah pensijilan MSPO dan ISPO. Sehingga kini, semua estet dan kilang di Pahang dan Sabah telah memperolehi pensijilan MSPO, estet-estet di Negeri Sembilan, Melaka dan Johor dijangka memperolehi pensijilan MSPO menjelang Ogos 2018 manakala operasi Indonesia dijangka memperolehi pensijilan ISPO menjelang akhir tahun 2018.

2. Sehingga 30 April 2018, RM 2.04 juta telah disumbangkan kepada Universiti Putra Malaysia (UPM) di bawah projek kerjasama penyelidikan UPM - UMB yang bermula pada tahun 2013. Sehingga kini, UPM telah melengkapkan sembilan projek penyelidikan yang bertujuan memajukan industri kelapa sawit sementara projek terbaru yang sedang diusahakan adalah memberi tumpuan kepada membangunkan mekanisme pemangkasan dan penuaian kelapa sawit.

Aktiviti yang lebih terperinci dibentangkan dalam Penyataan Kelestarian di halaman 032 ke halaman 054 dari Laporan Tahunan ini.

PROSPEK TAHUN SEMASA

Bagi TK 2019, UMB menjangka hasil yang lebih baik berbanding dengan TK 2018 kerana profil umur bertambah baik dan lebih banyak kawasan menjadi matang. UMB menjangkakan harga MSM dalam lingkungan RM2,100 hingga RM 2,500 setan metrik dalam tempoh 12 bulan akan datang.

Walau bagaimanapun, dengan penggunaan piawaian perakaunan baru, Piawaian Laporan Kewangan Malaysia (MFRS) yang efektif pada TK 2019 yang memerlukan nilai tanaman (sebelum ini dikenali sebagai aset biologi) untuk dilunaskan maka keuntungan Kumpulan dalam TK 2019 dijangka jauh lebih rendah.

Untuk memastikan pulangan yang baik dan berterusan kepada para pemegang saham, UMB akan memberi tumpuan kepada penambahbaikan hasil, kawalan kos dan memaksimumkan keuntungan dari ladang yang baru diperolehi di Kalimantan, Indonesia.

BERGERAK KE HADAPAN

Walaupun UMB terus memberi tumpuan untuk meningkatkan hasil pengeluaran daripada pokok kelapa sawitnya, Lembaga Pengarah mengambilkira faktor luaran di luar kawalan UMB yang boleh memberi kesan kepada keuntungan - potensi pergolakan dalam ekonomi global, ringgit yang lemah, kadar faedah yang semakin meningkat dan harga minyak sawit yang turun naik.

Lembaga juga menyedari tentang cabaran yang dihadapi oleh industri kelapa sawit, termasuk isu-isu buruh, cabaran alam sekitar dan potensi sekatan yang dikenakan oleh EU dan negara-negara lain yang dapat membendung penggunaan minyak kelapa sawit. Untuk mengurangkan risiko ini, UMB telah mempercepatkan mekanisasi untuk mengurangkan keperluan buruh dan mempercepatkan pensijilan MSPO untuk memenuhi piawaian kemapanan.

Tumpuan yang khusus untuk mengawal kos serta pengurusan kewangan yang berhemat telah membantu UMB untuk membiayai harga komoditi yang tidak menentu selama 107 tahun. Simpanan rizab tunai telah membolehkan UMB kekal menguntungkan sepanjang tahun kecuali pada tahun 1921, semasa Great Depression pada tahun 1931 dan gangguan operasi semasa pendudukan Jepun.

Selaras dengan kepercayaan teras UMB bahawa kakitangan adalah aset utamanya, Kumpulan telah melabur dalam meningkatkan kemahiran pekerja. Sebagai contoh, UMB telah menghantar pemimpin berpotensi untuk menghadiri program kepimpinan dan membina semangat pada tahun semasa.

UMB berada di landasan yang tepat dengan rancangan untuk melebarkan lagi geografinya ke Sulawesi di Indonesia dan mempelbagaikan tanamannya.

Pada 17 Oktober 2017, UMB telah mengumumkan kepada Bursa Malaysia Securities Berhad (“Bursa”) bahawa ia telah memeterai perjanjian jual beli bersyarat (“CSPA”) dengan vendor Dalvey Star Limited (“Dalvey”), Clifton Cove Pte Ltd (“Clifton”), PT Bintang Gemilang Permai (“BGP”) dan PT Wana Rindang Lestari (“WRL”) untuk pengambilalihan yang dicadangkan oleh UMB iaitu satu saham biasa sebanyak USD 1.00 setiap satu (kemudian meningkat kepada 425,001 saham biasa USD 1.00 setiap satu yang termasuk penukaran pinjaman sebanyak USD 425,000 dari Dalvey ke Clifton untuk perkongsian modal) di Clifton, yang mewakili 100% kepentingan ekuiti dalam Clifton, yang seterusnya akan memegang 60% kepentingan ekuiti efektif dalam WRL, untuk jumlah pertimbangan tunai sebanyak USD 7,190,400 atau kira-kira RM30,332,702.

Pengambilalihan berada di landasan yang tepat dengan butir-butir akhir perjanjian disusun.
Untuk butiran Perolehan yang Dicadangkan, sila rujuk pengumuman ke Bursa pada tarikh yang sama.

PENGHARGAAN

Bagi pihak Lembaga, saya ingin mengucapkan terima kasih kepada semua kakitangan atas kerja keras dan usaha mereka dalam tahun kewangan berakhir 30 April 2018.

Seperti pada tahun-tahun sebelumnya, sepanjang tahun kewangan semasa, rakan-rakan pengarah saya dengan rela menghabiskan banyak masa dan menawarkan nasihat yang tidak ternilai mereka - selalunya di luar tanggungjawab statutori mereka - dalam menangani beberapa cabaran besar yang dihadapi oleh United Melaka, terutama yang berkaitan dengan operasi LAK di Indonesia dan INR di Singapura dan projek usahasama yang dicadangkan di Sulawesi. pada tahun kewangan semasa.

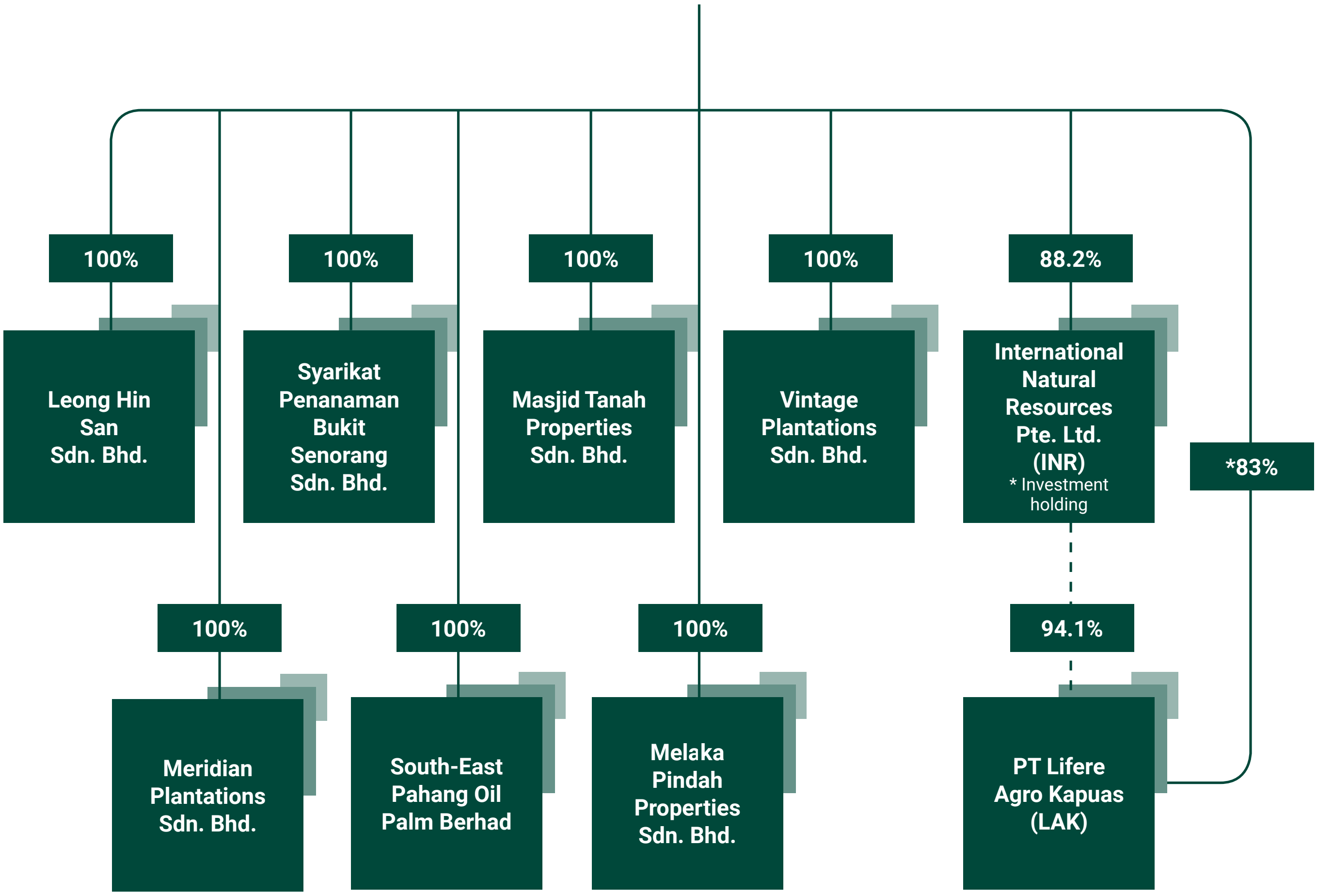
DATIN PADUKA TAN SIOK CHOO
PENGERUSI

Pekerja-pekerja dalam pakaian keselamatan yang sempurna semasa kerja menyembur

Nurseri di PT Life Agro Kapuas, Kalimantan, Indonesia

CORPORATE STRUCTURE
AS AT 30 JUNE 2018

United Malacca Berhad
(1319-V)



** 83% effective equity interest in LAK via INR.*

AT A GLANCE

- Key Dates

Financial Year End		30 April
Annual General Meeting		24 August 2018
Dividend Payments:		
1st Interim	6 sen	8 February 2018
2nd Interim	6 sen	20 August 2018

- Land Bank Analysis

	Malaysia Ha	**Indonesia** Ha	**Total** Ha
Mature	20,277	9,784	30,061
Immature	1,490	1,632	3,122
Total Planted	21,767	11,416	33,183
Land Clearing	-	621	621
Plantable	115	4,720	4,835
Unplantable	2,756	7,828	10,584
Total Land Bank	24,638	24,585	49,223

AT A GLANCE (continued)

Group Business Performance (RM'000)	FY2018	FY2017	FY2016
1 Revenue			
• Malaysia	243,744	247,183	203,700
• Indonesia	33,984	27,526	2,036
Total	277,728	274,709	205,736
% increase/(decrease) over previous year	1%	34%	(3%)
2 Profit Before Tax	58,603	98,888	70,234
% (decrease)/increase over previous year	(41%)	41%	20%
Plantation			
• Malaysia	60,032	85,642	47,242
• Indonesia	(4,701)	4,239	1,204
Investment income	3,272	9,007	21,788
3 Operating Margin (%)	20%	33%	24%
4 Capital Management			
4.1 Return on Average Equity (%)	2.6	4.8	3.5
4.2 Basic/Diluted Earnings Per Share (sen)	23.1	40.4	28.5
4.3 Dividend Per Share (sen)	12.0	23.0	16.0
4.4 Net Assets Per Share (RM)	8.0	8.4	8.2
4.5 Dividend Cover	1.8	1.8	1.8
4.6 Interest Cover	12.2	26.4	58.3
5 Market Price & Production	FY 2018	FY 2017	Change (%)
Average selling price (RM/MT) :			
CPO	2,621	2,832	- 7.5%
PK	2,306	2,825	- 18.4%
Group FFB Production (MT):			
• Malaysia	352,514	316,792	+ 11.3%
• Indonesia	28,467	19,198	+ 48.3%
Total	380,981	335,990	+ 13.4%
Group Mill Processing Capacity	80 tonnes/hr	80 tonnes/hr	-

UMB's vision is pursuing growth, an untiring commitment to excellence, nurturing a sense of belonging for stakeholders and ensuring a fair share of success for all.

Founded by the late Tun Tan Cheng Lock in 1910, United Malacca Berhad (UMB), owns and manages a total of 49,223 hectares of oil palm estates in Malaysia and in Central Kalimantan.

UMB had a satisfactory year; yields increased by 11% in Malaysian estates and 48% in Indonesian estates resulting in an average increase of 13% for the group. Through enhanced internal efficiencies and continuously rebuilding internal organisational strengths, production costs for matured areas were held in check, partially offsetting higher costs for newly matured areas. Accelerated implementation of mechanisation helped UMB reduce its dependency on labour. In line with UMB's commitment to manage its plantations in a sustainable manner, the Pahang estates and Bukit Senorang Palm Oil Mill, the Sabah estates and Meridian Palm Oil Mill were MSPO certified. The remaining estates in Negeri Sembilan, Melaka and Johor as well as those in Indonesia are scheduled to obtain certification by end-2018.

FINANCIAL MATTERS

- **Revenue**

  Group's revenue for FY2018 increased slightly by 1% to RM277.7 million mainly due to rising production of fresh fruit bunches (FFB) by 11% offset by lower selling prices for crude palm oil (CPO) and palm kernel (PK).

- **Profit Before Tax**

  For the financial year ended 30 April 2018, Group pre-tax profit of RM58.60 million was 41% lower compared with RM98.89 million in the preceding year. Sharply lower profit was due to very high rainfall in Sabah and Indonesia caused by the La Nina weather phenomenon which affected operations, lower average prices of CPO and PK by 7% and 18% respectively as well as the impact of newly matured palms of 4,640 hectares (Malaysia - 1,679 hectares and Indonesia - 2,961 hectares) that came into harvesting at the beginning of the current financial year with low FFB yield and high unit cost of production.

  Lower pre-tax profit was also due to lower investment profit of RM3.27 million compared with RM9.01 million in the preceding year; the latter included the RM20.19 million gain on disposal of available-for-sale investments that more than offset the adverse impact of net foreign exchange loss of RM13.65 million.

- **Assets and Liabilities**

  A revaluation was carried out in FY2018 on the Group's freehold land, long-term leasehold land, buildings and biological assets.

  Property, Plant and Equipment increased to RM1,039.01 million from RM693.91 million in the preceding year mainly due to a RM347.84 million revaluation surplus on freehold land, long-term leasehold land and buildings in Malaysia.

  Biological Assets decreased by RM337.18 million to RM654.72 million mainly due to the reversal of a RM334.42 million revaluation surplus on Biological Assets of Malaysian operations with an older age profile.

  Higher inventory of RM29.76 million, compared with RM20.74 million in the preceding year, was due to CPO stock carried forward while the decrease in Trade and Other Receivables to RM49.32 million from RM115.91 million was due to recovery of plasma receivables in Indonesian subsidiary, PT Lifere Agro Kapuas (LAK), of RM86.21 million in December 2017.

FINANCIAL MATTERS (continued)

- **Assets and Liabilities (continued)**

Financial Assets at Fair Value Through Profit or Loss as well as Cash and Bank Balances increased to RM124.57 million from RM78.67 million mainly due to recovery of plasma receivables in LAK of RM86.21 million as well as the disposal of Held-for-Trading Investments even though higher dividends were paid.

As at 30 April 2018, the Group has outstanding bank borrowings of RM137.22 million due to the acquisition of an Indonesian subsidiary, LAK, in 2016.

Deferred tax liabilities increased to RM216.57 million from RM147.19 million due to deferred tax liabilities of RM75.89 million on the revaluation surplus from freehold land, long-term leasehold land and buildings.

- **Investment Holdings**

During the year, the investment profit of RM3.27 million was 64% lower compared with RM9.01 million in the preceding year. This was mainly due to interest expense of RM5.22 million despite higher interest income. Investment profit of RM9.01 million in the preceding year resulted mainly from the gain on the disposal of available-for-sale investments of RM20.19 million, the latter more than offset the adverse impact of a net foreign exchange loss of RM13.65 million.

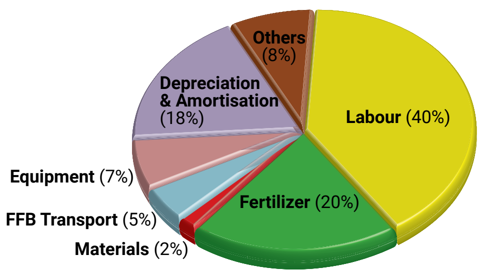
- **Plantation Financials**

Malaysian Operations

Although total FFB production expanded by 11% or 35,722 tonnes, plantation profit of RM60.03 million was 30% lower than the RM85.64 million achieved in the preceding year mainly due to the combined impact of extended wet weather since January 2017 in Sabah and newly matured palms of 1,679 hectares that came into harvesting at the beginning of the current financial year. Because young palms have low FFB yield, the unit cost of production is high. Additionally, lower average prices of CPO (RM2,621/tonne compared with RM2,832/tonne) and PK (RM2,306/tonne compared with RM2,825/tonne) during the year under review also reduced plantation profit.

FFB cost of production (ex-estate) for FY2018 increased to RM295/tonne from RM276/tonne in the preceding year due to the high cost in newly matured areas. Going forward, the Group will prioritise controlling costs, improving efficiency, optimising use of vehicles as well as instituting quality control for field work and performance-based payment for harvesters.

Production costs for FY2018 consists of the following components:



Indonesian Operations

LAK, the Indonesian subsidiary incurred a loss of RM4.70 million compared with a profit of RM4.24 million in preceding year mainly due to the high cost of production in the newly matured area of 2,961 hectares comprising 62% of the total matured area. Prolonged wet weather during the year caused by the La Nina weather phenomena also hindered operations.

MAP SHOWING UMB ESTATES & MILLS

REVIEW OF OPERATIONS

Plantation Operations

In FY2018, an additional 1,870 hectares of oil palms reached maturity, boosting the total matured area to 20,277 hectares or 93% of the total planted area in Malaysia. Of the total immature area of 1,490 hectares, 75% are in Sabah which will mature in two years. As at 30 April 2018, the overall planted area in Malaysia stood at 21,767 hectares.

Newly acquired subsidiary LAK in Central Kalimantan has a total land bank of 24,585 hectares, of which 46% or 11,416 hectares have been planted with oil palm. During the period under review, an additional 5,098 hectares of oil palms reached maturity, boosting the total matured area to 9,784 hectares. Of the immature area of 1,632 hectares, 488 hectares will mature in FY2019. Planting the remaining area is progressing well and is targeted to be completed within the next three years. Anticipating rising FFB output in the next two to three years, LAK has commenced construction of a new mill which is expected to be commissioned in May 2019. Total capital expenditure estimated at USD50 million is expected to be incurred over the next four years for new planting as well as the building of houses, infrastructure and a palm oil mill.

The breakdown of planted area is shown below:

	Malaysia	Indonesia			Total
		Inti	Plasma	Total	
	Ha	Ha	Ha	Ha	Ha
Matured	20,277	4,752	5,032	9,784	30,061
Immature	1,490	1,489	143	1,632	3,122
Total planted	**21,767**	**6,241**	**5,175**	**11,416**	**33,183**
Land clearing	-			621	621
Plantable	115			4,720	4,835
Unplantable ^	2,756			7,828	10,584
Total land bank	**24,638**			**24,585**	**49,223**

^ Consist of area for canals, roads, buildings, villages and forest reserve area.

REVIEW OF OPERATIONS (continued)

Plantation Operations (continued)

Excluding the plasma area, 82% of UMB's oil palms have yet to attain peak productivity. Of the total planted hectarage, 37% of the palms are in prime production (age 8 to 15 years), 34% are on an increasing yield trend (4 to 7 years) and 11% are immature palms of less than 4 years. Only 4% or 1,047 hectares of palms are more than 20 years while the average age of palms is 9.79 years.

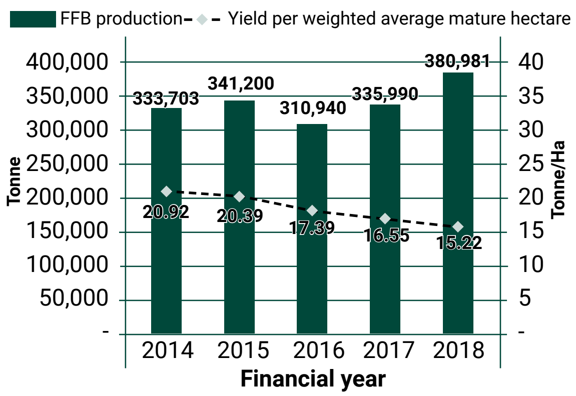
	Malaysia		Indonesia*		Group	
	Ha	%	Ha	%	Ha	%
< 4 years	1,490	7%	1,489	24%	2,979	11%
4 - 7 years	4,899	22%	4,628	74%	9,527	34%
8 - 15 years	10,390	48%	124	2%	10,514	37%
16 - 20 years	3,941	18%	-	-	3,941	14%
21 - 25 years	911	4%	-	-	911	3%
> 25 years	136	1%	-	-	136	1%
	21,767	**100%**	**6,241**	**100%**	**28,008**	**100%**
Average Age	11.54 years		3.72 years		9.79 years	

*Exclude plasma

UMB faced numerous challenges during FY2018 including the prolonged wet weather due to La Nina and depressed prices for CPO and PK. Because recruitment of foreign workers from traditional sources like Indonesia was challenging, UMB opted to recruit from other countries like Bangladesh, Nepal and India. Mechanising most work processes helped cushion the shortage of workers. In FY2018, FFB production from Malaysia totalled 352,514 tonnes, an increase of 11% compared with the preceding financial year despite the prolonged effect of the El Nino and the disruption caused by La Nina. FFB production in Peninsular Estates was 148,000 tonnes (42%) while output from the Sabah estates totalled 204,514 tonnes (58%).

The Group's Indonesia plantations contributed 28,467 tonnes of FFB (2017: 19,198 tonnes) from its matured area of 4,752 hectares. With a young average age of 3.72 years, FFB production from LAK is expected to increase significantly in the near future.

GROUP'S FFB PRODUCTION FOR PAST 5 YEARS



REVIEW OF OPERATIONS (continued)

Plantation Operations (continued)

Given the various challenges the Oil Palm industry faces, UMB is focused on improving yields and maintaining costs at reasonable levels. Furthermore, palms above 20 years will be planted with high-yielding clonal and semi-clonal seedlings. At present, about 142 hectares of replanted areas are planted with clonal seedlings. For the current year under review, RM2.37 million has been spent on replanting old palms as well as maintaining immature oil palms planted over 371 hectares. In FY2019, about 241 hectares of old palms will be replanted.

To minimise the need for labour and reduce labour costs, mechanisation is an on-going process.

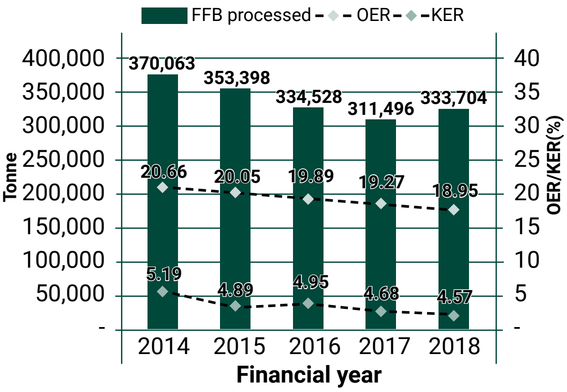
MILLING OPERATIONS

The Group owns two palm oil mills – Bukit Senorang Palm Oil Mill in Pahang and Meridian Palm Oil Mill in Sabah with a total production capacity of 80 tonnes per hour (tph). In FY2018, total FFB processed was 333,704 tonnes, 7% higher compared with 311,496 tonnes in the preceding year. UMB's own FFB accounted for 78% of the total crop processed. Higher FFB processed was due to higher output from UMB's estates as well as higher FFB from third parties.

Both mills collectively recorded total production of 63,244 tonnes (2017: 60,025 tonnes) of CPO and 15,237 tonnes (2017: 14,586 tonnes) of palm kernel oil with an average 18.95% oil extraction rate (OER) (2017: 19.27%) and a 4.57% kernel extraction rate (KER) (2017: 4.68%) in FY2018. Lower OER was due to inclement weather which affected the quality of FFB.

Construction of the Oil Mill in PT LAK with a capacity of 45 MT is expected to be completed by end April 2019. For the proposed mill in MLP in Sabah, UMB is waiting for approval from the relevant environmental authorities.

GROUP'S PALM OIL MILL PERFORMANCE FOR PAST 5 YEARS



FORWARD LOOKING STATEMENT

For the financial year ending 30 April 2019, the Group expects better FFB output due to an additional 1,015 hectares coming into maturity – 592 hectares from Malaysia and 423 hectares from Indonesia and higher yields from the young palms. Overall, management targets to achieve 14% increase in FFB production.

Financially, the Group's performance will be influenced largely by palm oil and kernel prices. UMB will incur higher production costs in the young and newly matured areas, and rising recruitment costs since UMB will have to source foreign workers from different countries. Nevertheless, Management will maintain its focus on improving labour productivity, enhancing cost efficiency and strengthening estate management practices.

FORWARD LOOKING STATEMENT (continued)

Despite challenges from NGOs, EU and other countries trying to curb the use of palm oil in various products, UMB is optimistic about the vegetable oil's long-term prospects due to projected growth in world population and higher income per capita. The cheapest and the most efficiently-produced vegetable oil in the world, palm oil also possesses superior health qualities – it contains a significant proportion of healthy mono-unsaturated fats, Vitamin E and other anti-oxidant compounds.

To broaden UMB's earning base and to reduce its dependence on a single commodity, the Group is exploring diversifying into other crops and increasing its land bank. In tandem with its geographical and crop expansion plans, UMB is also focusing on improving the skills and capabilities of its staff through enhanced training while continuing to offer scholarships for university students who meet the Group's educational and other criteria.

With expanded planted areas coming into maturity, UMB anticipates escalating production growth in Sabah and Indonesia. Barring unpredictable and volatile CPO prices, currency fluctuations and weather conditions, UMB expects satisfactory results in the financial year ending 30 April 2019.

This Statement is made in accordance with the resolution of the Board of Directors passed on 26 June 2018.

Millian-Labau Plantations in Sabah

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

As an extension of United Malacca Berhad's (UMB's) Report on sustainability and corporate responsibility, UMB expands its disclosure through this Sustainability Statement ("Statement") for FY2018.

Information relating to the Group's sustainability performance covers the period from 1 May 2017 to 30 April 2018 ("FY2018") and includes all estates, mills and offices in Malaysia (accounting for 90% of Group revenue), and UMB subsidiary PT. Lifere Agro Kapuas (PT LAK) in Indonesia.

This Statement is prepared in accordance with Bursa Malaysia Securities Berhad's Sustainability Reporting Guidelines and Main Market Listing Requirements.

CEO'S STATEMENT

This is UMB's 3rd sustainability report, highlighting the Group's journey towards meeting sustainable, environmental and social goals. Since its establishment 107 years ago, UMB has survived two World Wars, the Great Depression and volatile commodity prices.

Having established a Sustainability and Mechanisation Department in 2015, UMB has made significant progress in fulfilling both external and internal commitments. – obtaining MSPO certification for 75% of the Group's hectarage in Malaysia as well as for the two Oil Mills in Malaysia. The remaining areas in Malaysia are expected to be certified by August 2018 and LAK, UMB's Indonesian subsidiary is geared towards certification by end 2018.

Achieving sustainable certification such as MSPO and ISPO in less than 12 months highlights UMB's strong commitment towards producing sustainable palm oil.

Employees are our most valuable asset. For this reason, UMB's sustainability journey began by focusing first on its employees; the Group believes that by nurturing and caring for its employees, the latter will work with us towards meeting our sustainability goals.

In all our operating centres, UMB adopts a "safety comes first" approach. Regular training is carried out and awareness is instilled in all employees, particularly new foreign workers. Despite the Group's safety awareness training, UMB regrets there was one fatality during the year; this occurrence has strengthened UMB's determination to achieve a zero accident rate in Group estates, oil mills and offices.

UMB also hopes to minimise its environmental footprint by complying with all environmental regulations.

A highlight this year was completing UMB's first Biodiversity and High Conservation Value (HCV) Area assessment for its operations in Pahang where HCV 4 areas were identified. HCV 4 areas identified were water catchment for daily basic needs or emergency water use as well as water bodies to minimise and prevent soil erosion. Several swift measures were undertaken to manage these areas, including marking erosion-prone areas and testing the quality of water. More importantly, UMB trained workers on HCV- related issues and their management.

The achievements highlighted in this report, is the collective effort of all our employees and all stakeholders who truly believe in our journey towards sustainability. It is a long and challenging journey and with the collective effort of everyone, we will strive to meet our goals.

SUSTAINABILITY GOVERNANCE

UMB's Board of Directors oversees sustainability-related strategies while its Chief Executive Officer (CEO) approve and determine sustainability strategies.

With the assistance of the Group's Sustainability and Mechanisation Department, coordination, monitoring and reporting of sustainability matters are disseminated to the respective departments and business units. All head of departments and heads of business units meet annually to discuss and evaluate the Group's sustainability plan and progress for the year. In addition, sustainability is a fixed item on the agenda at UMB's quarterly management meetings.

Board of Directors *Lead by Chairperson*	• Oversee sustainability strategies and other related matters
Chief Executive Officer	• Approve sustainability strategies • Determine sustainability strategies, direction, targets and goals with the assistance from Sustainability and Mechanisation Department
Sustainability and Mechanisation Department *Lead by Senior Manager*	• Propose sustainability targets • Coordinates, monitors and communicates sustainability performance throughout UMB
Business Units and Employees	• Implementation of sustainability strategies and initiatives • Monitor sustainability performance

Diagram 1: UMB Sustainability Governance Structure

MATERIAL SUSTAINABILITY MATTERS

Material sustainability matters are those that have a significant impact on UMB's plantations and all its' stakeholders. This year, UMB conducted a materiality assessment through a guided approach, using Bursa Malaysia's Sustainability Reporting Guide as illustrated below:

IDENTIFICATION	PRIORITISATION	VALIDATION
List of potential sustainability matters were identified based on peer benchmarking, media analysis, market trends, and cross referenced with Bursa Malaysia Sustainability Reporting Guideline.	Material matters were prioritised and mapped in a matrix through an assessment workshop with the Group's middle to senior management from all departments and business units in Malaysia.	The materiality matrix was validated through interviews and discussions with senior management; and submitted for Board approval.

Diagram 2: Materiality Assessment Process

From this exercise, UMB identified material sustainability matters and categorised them into three (3) pillars – Our Sustainable Business, Caring for People, and Environmental Management. Each of the 3 pillars is closely linked to economic, social and environmental aspects, thus allowing UMB to submit a comprehensive report on sustainability matters.

SUSTAINABILITY STATEMENT (continued)

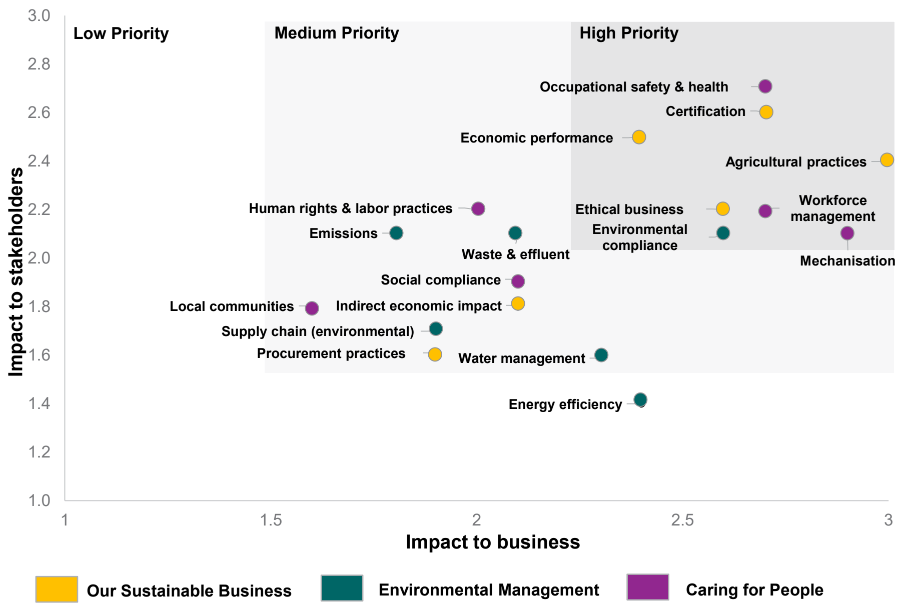


Diagram 3: UMB Materiality Matrix

In line with UMB's materiality matrix, the focus for this financial year's report is on matters identified as High Priority listed below in Diagram 4. UMB believes in caring for all people including local communities surrounding UMB operations. Therefore, UMB has included Local Communities as the intended beneficiaries of the Group's efforts to uplift the lives of families and local communities.

Pillars	Reported Material Matters for FY18	Other Material Matters*
Our Sustainable Business Looks into how UMB conducts its business in a sustainable manner	• Ethical business • Economic performance • Certification • Agricultural practice	• Procurement practices • Indirect economic impact
Caring for People Highlights the move towards becoming a caring corporate citizen by taking care of employees, labours and the local community	• Occupational safety and health • Workforce management • Mechanisation • Local communities	• Human rights and labour practices • Social compliance
Environmental Management Encompasses UMB intiatives to protect and minimises its impact to the environment.	• Environmental compliance	• Emissions • Waste and effluent • Water management • Energy efficiency • Supply chain (Environmental)

Diagram 4: UMB Material Matters

*Other material matters reported progressively

STAKEHOLDER ENGAGEMENT

Continuous and meaningful engagement with our key stakeholders is integral towards understanding and fulfilling their expectations. This ensures UMB's business continuity and sustainability.

UMB utilises different approaches to engage with UMB's key stakeholders. Outlined below is an overview of UMB's engagement with stakeholders as well as concerns raised throughout FY2018 and UMB's response to these concerns:

Stakeholders group	Mode of engagement	Frequency	Key topics and concerns raised	Group's response
Employees/ Field workers	• Morning Muster • Occupational safety and health (OSH) Meeting • Stakeholders Meeting	• Daily • Quarterly • Annually	• Operational concerns • OSH • Other organisation-wide issues	• Enhance better understanding and awareness among employees on Group policies, sustainability requirements and compliance • Improved mechanism for complaints and grievances • Stricter enforcement on Safety Policy and more OSH and relevant SOP training • Construction of new labour quarters
Board of Directors	• Board Meeting	• Quarterly	• Progress of sustainability matters • Group performance • Strategic planning	• Better understanding of Group's sustainability, progress and initiatives
Government/ Regulators	• Stakeholders meeting	• Annually	• Compliance with legal requirements	• Support and contribute to the development of national sustainability standards
Local Communities	• Stakeholders meeting	• Annually	• Job opportunities in UMB for the locals • Donations for local schools • Road maintenance for local accessibility	• Conducted Social Impact Assessment • Established Human Right policy • Give priority to employing qualified and eligible locals • Contributed to community development • Improved road access

Table 1: UMB Materiality Matters

OUR SUSTAINABLE BUSINESS

UMB endeavours to conduct its business sustainably to add value to all stakeholders.

ETHICAL BUSINESS & ANTI-CORRUPTION

UMB is committed to promoting and upholding the highest standard of work ethics and transparency in conducting its business. Its Directors' Code of Ethics ("Code") was formulated to enhance corporate governance and corporate behaviour throughout UMB.

The Code establishes the standard of ethical behaviour expected from the Group's Directors and their responsibilities. While fulfilling their duties, directors are expected to observe the Code, in particular the corporate governance rules, relationship with stakeholders, as well as upholding their social and environmental responsibilities.

In line with good corporate governance and the Group's Whistleblowing Policy (Policy), all UMB employees and workers are encouraged to raise genuine concerns regarding any improper conduct. Wrongdoings include, but are not limited to, any breach of trust, corruption, fraud, waste and/or misappropriation of Group resources, abuse of power or position, sexual harassment, endangering employees or public health and safety and any attempt to conceal or suppress information relating to the above.

Under the Policy, employees and workers may address their concerns by writing directly to the Chief Executive Officer. If the issue involves management, the whistleblower can contact the Group Chairperson. The identity and details of the whistleblower will be kept confidential.

The Directors' Code of Ethics and Whistleblowing Policy are accessible through the Group's website at www.unitedmalacca.com.my. During the period under review, UMB has not received any complaints nor reports of any improper conduct within the Group, nor instances of corruption involving management, employees and workers.

ECONOMIC PERFORMANCE

In FY2018, the Group reported revenue of RM 278 million as compared to RM 275 million in the previous financial year. UMB's estate yield increased with an average of 13% for the Group, whereas the Group Fresh Fruit Bunch ("FFB") production also increased 13.4% this year. Further details of UMB's economic performance for FY2018 can be found in the financial Statement in this Annual Report.

VALUE DISTRIBUTION

In line with the Group's vision to ensure all stakeholders will enjoy a fair share of success, UMB distributes economic value and benefits to stakeholders as shown in Table 1. UMB generates economic value from revenue and other business income.

Employee wages and benefits*
RM 51,715,000

Payments to government*
RM 32,846,000

CSR Contribution*
RM 223,000

**Only for Malaysia operations*

Diagram 5: UMB Value Distribution

CERTIFICATION

Although the Malaysian Sustainable Palm Oil (MSPO) certification will be mandatory by 2020, UMB has intensified efforts to obtain full certification for its Malaysian operations by March 2019.

Since 2015, UMB has formalised a MSPO Implementation and Commitment Policy to guide all certification initiatives and plans.

To date, all estates and mills in Pahang and have obtained full certification. Estates in Melaka completed the Phase 2 audit in March 2018 and are expected to obtain full certification by August 2018.

Apart from MSPO, all estates and mills in Malaysia have also obtained the Code of Good Agriculture Practice (GAP) and Code of Good Milling Practice Certification by the Malaysian Palm Oil Board (MPOB) as of April 2018. Obtaining MPOB's Certifications is a basic preparation for the MSPO auditing.




MSPO certification audit in UMB Estates across Pahang, Melaka and Sabah region

SUSTAINABILITY CERTIFICATION (MSPO) JOURNEY

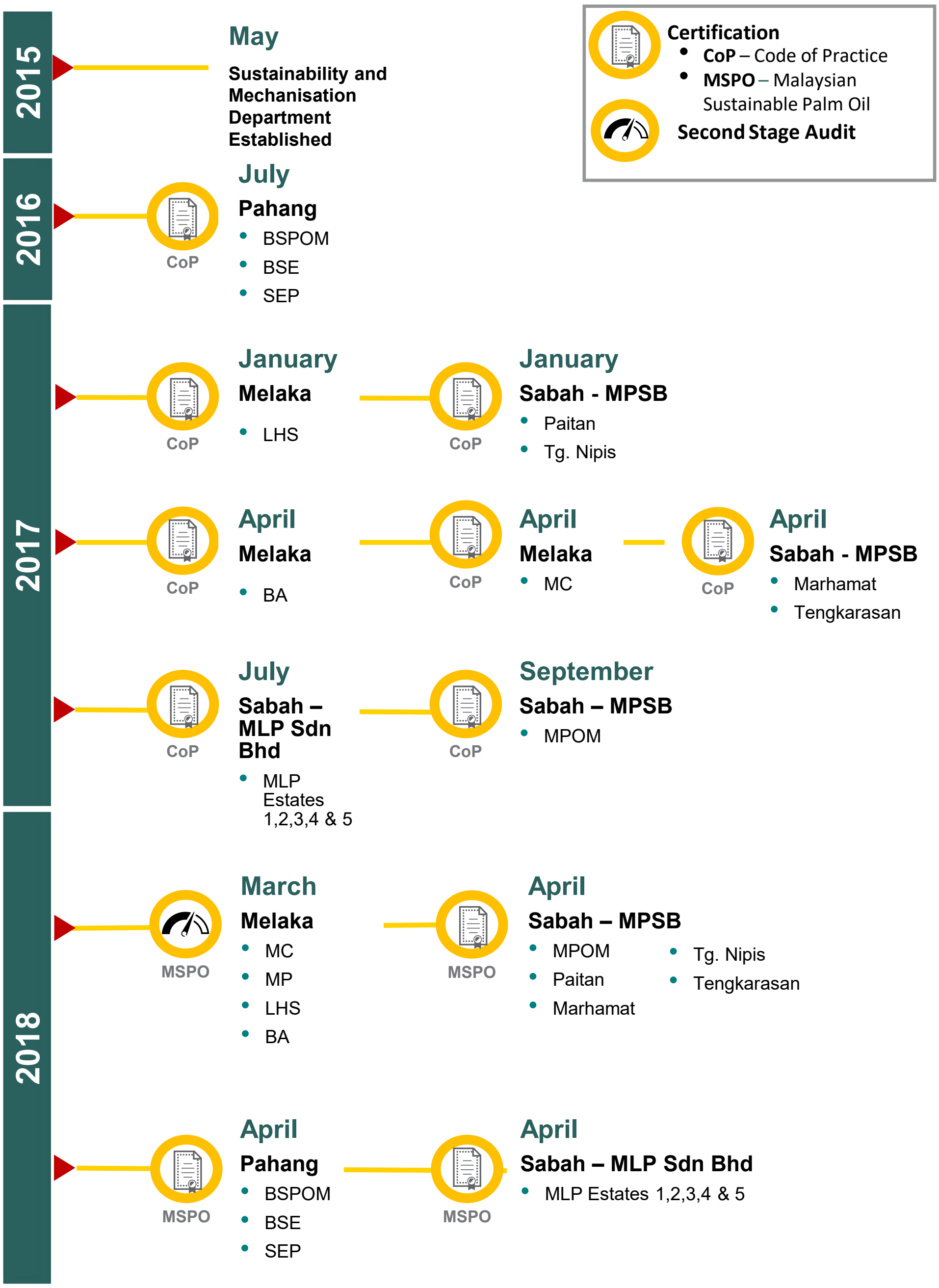


Diagram 6: UMB MSPO Certification journey

States	Estates Name	Known As	Status as of 30 April 2018	
Sabah			**COP Certification**	**MSPO Certification**
	Meridian Plantation Sdn Bhd Meridian Palm Oil Mill Paitan Estate Tanjung Nipis Estate Marhamat Estate Tengkarasan Estate	**MPSB** MPOM Paitan Tg. Nipis Marhamat Tengkarasan	100%	100%
	Milian Labau Plantation Sdn Bhd Milian Labau Plantation 1, 2 , 3, 4 & 5	**MLP Sdn Bhd**	100%	100%
Melaka	Batu Anam Estate Leong Hin San Estate Machap Estate Malaka Pinda Estate	BA LHS MC MP	100%	• Completed Phase 2 audit • Awaiting for certification by August 2018
Pahang	Bukit Senorang Palm Oil Mill South East Pahang Estate Bukit Senorang Estate	BSPOM SEP BSE	100%	100%

Table 2: UMB's estates and mills MSPO Certification progress status as of 30 April 2018

ISPO – UMB'S JOURNEY TO DATE

UMB's Indonesian subsidiary is targeting to achieve mandatory Indonesian Sustainable Palm Oil (ISPO) certification by end- 2018. In FY2018, PT. Lifere Agro Kapuas ("PT LAK") completed Phase 1 audit and plans to complete Phase 2 audit by 2018.

Air quality assessment conducted as part of ISPO requirement

AGRICULTURAL PRACTICE

To ensure better agricultural yield and productivity, Good Agricultural Practice is one of the key principles that UMB has adopted. All UMB estates are certified with the Code of Good Agriculture Practice (GAP) which promotes a balanced towards environmental, economic and social issues and to produce high quality agricultural products.

Among good agricultural practices UMB has adopted are:

- Zero Burning
- Integrated Pest Management
- Soil Management
- Water Management
- Clonal Trials
- In-house Composting
- Wastewater Recycling

Zero Burning is practiced in all UMB estates, from new planting and replanting exercises to all other agronomy projects. UMB is committed to prevent land and forest fires as well as haze and any air pollution within vicinity."Trunks of old palms are felled, shredded, stacked and left to decompose naturally instead of burning it.

Trunks of old palms in UMB estates are stacked to decompose naturally

UMB workers transferring beneficial plants from polybags to be planted in designated area

As part of **UMB's Integrated Pest Management** initiative, more than 1,500 polybags of beneficial plants were densely planted along field roads to provide a habitat for beneficial insects. This is to minimise the usage of chemicals and pesticides. These insects are predators of pests like bagworms and leaf-eating insects. Beneficial plants planted include the Cassia cobanensis, Euphobia heterophylla, Antigonan leptopus, and Turnera subulata.

Turnera subulata

Antigonan leptopus

Barn owls (Tyto alba) are introduced to UMB estates in Peninsular Malaysia to control rats. Small but lofty wooden houses built in UMB estates in Peninsular Malaysia, encourage barn owls to shelter and to breed. Rat baits are used only during an outbreak without damaging the health of the barn owls. Pheromone traps are also installed at selected spots in the estates to lure and trap the Oryctes rhinoceros beetles, insects that threaten pam oil shoots.

Barn owls in UMB estates

UMB's policy is to maintain optimum soil quality and increase yields through good **soil management**. UMB enriches the soil with a balanced mix of organic and inorganic fertilisers. For instance, Empty Fruit Bunches (EFB), oil palms trunks and fronds are mulched and recycled as compost to fertilise the soil with organic materials.

EFB are used as natural fertiliser in UMB estates

Water management measures were undertaken in all UMB estates to utilise water effectively. During the period under review, progress has been made in constructing a watergate at Batu Anam Estate. Watergates are installed at strategic locations along drains to keep an optimum water table level in the estate. High Density Polyethylene (HDPE) culvert with a flap gate was built and construction was completed in fourth quarter of FY2018.

High Density Polyethylene (HDPE) culvert installation in Batu Anam Estate

Watergate at Batu Anam Estate

All operating units have installed rainwater harvesting systems to enhance reserves of water supply. In addition, water quality is boosted of UMB's riparian reserve by restricting chemical spraying and manuring activities near palms planted along rivers. All palm trees in the riparian zone are marked with a red circle for easier identification.

Red circle is being marked on an oil palm near to a reserved riparian zone

A rainwater harvesting tank installed in Machap Estate

A drip irrigation system was installed at Batu Anam Estate and Leong Hin San Estate to to relieve moisture stress from drought. This irrigation pipeline runs through a total area of 104 hectares for both estates. In addition, silt pits are constructed across UMB estates as a step to tackle moisture stress.

Installation of pipeline in Leong Hin San Estate

Construction of silt pit

CLONAL TRIAL

As a continuous effort to improve oil palm yields, UMB introduced several high yielding palm clones, namely DXP, Calix, Kulim, Felda, and Hybrida. High-yielding oil palm seeds could reduce the hectarage needed to expand production of palm oil. To protect the seedlings, collar plates are wrapped at the base to minimise damage from wild boars and rats. UMB also uses fibre mat, a type of mulch made from EFB, to retain moisture, suppress weed growth as well as to minimise soil erosion.

Clone seedlings in Machap Field with collar plate and Fiber Mat mulch

Mulching of clone seedlings using Fiber Mat at the base of seedlings

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To improve waste management, **in-house composting plants** are currently being constructed at Bukit Senorang Palm Oil Mill and Meridian Palm Oil Mill. This initiative is also in conjunction with UMB obtaining MSPO certification. Composting plants are expected to treat mill waste such as EFB and POME and produce 34,200 MT of compost annually. This initiative also reduces greenhouse gas emission. The compost will then be used in UMB estates as fertiliser. Currently, the ground levelling process for both plants have been completed and the plants are expected to be commissioned in August 2018.

Leveling work for compost plant site at Bukit Senorang Palm Oil mill

Project Manager & Project Engineer visiting the composting plant site with the contractor

UMB practises **wastewater recycling** as part of its Good Agricultural Practices. In Bukit Senorang Estate and Meridian Plantations, the treated Palm Oil Mill Effluent (POME) is discharged to the respective designated furrow approved by the Department of Environment (DOE), instead of flowing into rivers. This ensures the remaining nutrients in the POME are absorbed by the soil.

Furrow system for POME discharge into fields in Bukit Senorang Estate, Pahang

CARING FOR PEOPLE

To underscore UMB's concern about the well-being of its employees, the Group is committed to providing a conducive, safe and healthy workplace. Through Group-sponsored sports, UMB aims to enhance employees' health and personal development as well as facilitate team bonding.

OCCUPATIONAL SAFETY AND HEALTH

UMB is committed to ensuring a safe and healthy workplace for all our employees. UMB's Occupational Safety and Health (OSH) policy outlines the Group's commitment to minimising safety and health risks through constant dissemination of accurate OSH information, as well as providing the necessary training to all employees. UMB also extends its OSH coverage to contractors and visitors as reflected in the Group providing Personal Protection Equipment (PPE) to all individuals in its estates.

OSH GOVERNANCE

Since 2017, a Group Safety and Health Committee was set up to advise operating units on OSH issues as well as to manage and maintain the Group's adherence to OSH procedures through regular inspections. The Committee sets the direction and approves all OSH-related issues. Strategies and decisions are then cascaded down to the Environment, Health and Safety (EHS) department to be implemented across the Group. Meeting every quarter, the OSH Committee reviews and provides feedback on potential areas of improvement.

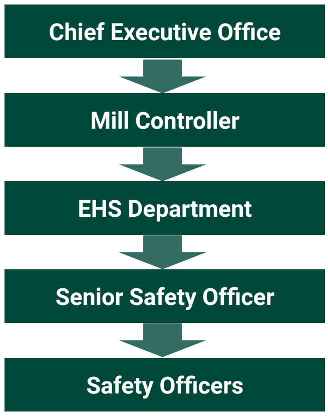


Diagram 7: UMB Group Health and Safety Committee

The EHS department is led by a Senior Safety Officer and assisted by two safety officers. Among the key roles and responsibilities of the department include:

- Advising and recommending improvements on Group's OSH matters;
- Providing OSH training;
- Conducting OSH meetings;
- Carrying out workplace site inspections;
- Auditing OSH records (internal);
- Monitoring internal accident and incident cases;
- Dealing with Occupational Health Doctor (OHD) for Health Surveillance;
- Assisting all operating units' management team on Department of Safety and Health (DOSH) officer audit visits and workplace site inspections

UMB follows closely the Hazards Identification Risk Assessment and Risk Control (HIRARC) Guidelines set by DOSH when crafting the Group's in-house HIRARC and Safety Standard Operating Procedure (SOP). All Safety SOPs and OSH related information and refresher courses are regularly communicated to all employees and workers through UMB's intranet, annual e-newsletter, physical briefings and hand-outs.

OSH TRAINING

During the year under review, UMB conducted 23 training sessions in total with 183 internal and 5 external OSH trainers while. 77% of all employees and workers have undergone OSH related training. Moving forward, UMB aims to extend OSH training to ensure 85% employees and workers undergo OSH training in FY2019.

77%
of our employees and workers have undergone OSH training in FY2018

591
total training hours on OSH related training in FY2018

OSH Training Aspects	List of OSH Trainings
SOP training	• SOP training for estate operations • SOP training on palm oil mill operations
Proper handling of equipment and chemicals	• Proper usage of PPE • Scheduled Waste Management with Kualiti Alam
Emergency response	• Fire-fighting and Building Evacuation • Working at Height
Documentation training	• Understanding Safety Data Sheet • OSH document auditing
Refresher training	• In-house refresher course on Basic First Aid • Confined space refresher training

Table 3: List of UMB Group OSH Trainings in FY2018

UMB employees and workers attending harvesting SOP training and Basic First Aid training

To further supplement OSH training and instil a strong safety culture, other OSH activities include awareness sessions are conducted from time to time. In collaboration with the Pahang state DOSH, UMB launched a Safety Awareness Campaign on 7 September 2017. Throughout the campaign, 250 workers and employees attended and participated in activities such as the OSH walk, quizzes, and First Aid demonstration. To raise health awareness among our workers, UMB held medical check-ups for all workers; this is part of DOSH's requirement for medical surveillance.

UMB Safety Awareness Campaign see a turn up of 250 workers and employees

OSH PERFORMANCE

The Group's OSH performance is recorded and monitored closely. In FY2018, a total of 26 incidents were recorded. To prevent a recurrence, all incidents were investigated carefully and reviewed. Regretfully, UMB experienced one (1) fatality among its workers during the period under review, caused by a FFB falling and hitting a worker while harvesting in Bukit Senorang Estate, Pahang. A thorough investigation was carried out immediately to identify the root cause as well as to outline the recommended corrective action plan to prevent a similar recurrence. Corrective action plans include stricter enforcement on PPE usage and more frequent training on the SOP for harvesting and the relevant safety precautions. Apart from insurance payment, UMB has also compensated the family of the deceased worker.

Incident Rate
11.1
per thousand-person

Frequency Rate
5.3
per million man-hours

Severity Rate
66.3
per million man-hours

Diagram 8: Safety performance for FY2018

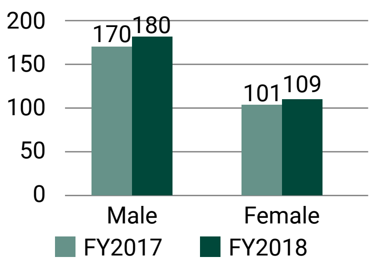
WORKFORCE MANAGEMENT

Guided by the Group's Equal Opportunity Policy and the Social and Human Rights Policy, UMB is committed to ensuring equal opportunity for all employees and workers with zero-tolerance for any form of discrimination. This non-discrimination policy is embedded in all workplace procedures, starting from the recruitment process. A Sexual Harassment Policy is also in place to ensure women employees are free from sexual harassment or any form of violence against female employees and workers. Every employee has the right to file a complaint in writing. After investigations have been conducted, the Group will take prompt action against any offender.

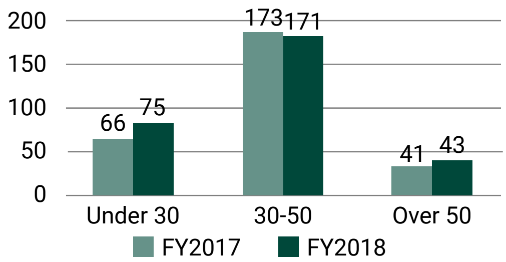
WORKFORCE DIVERSITY PROFILE

A diverse workforce broadens the Group's skills and competitiveness. As such, UMB aspires to maintain diversity within its workforce. Data below shows the composition of UMB's workforce for FY2018 which reflects age, gender and nationality diversity.

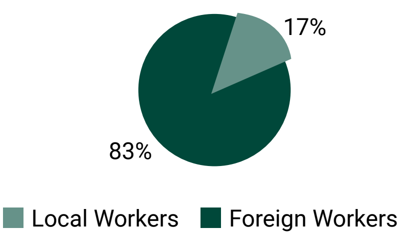
Employees gender composition



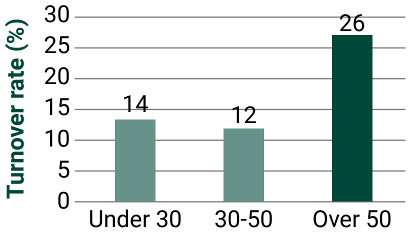
Employees age composition



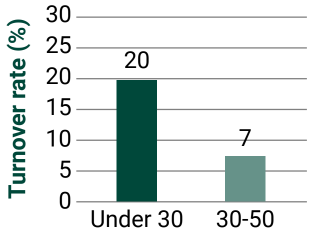
Workers nationality composition



Employees turnover rate by age



Employees turnover rate by gender



All composition covers UMB employees unless otherwise stated

EMPLOYEE TRAINING & DEVELOPMENT

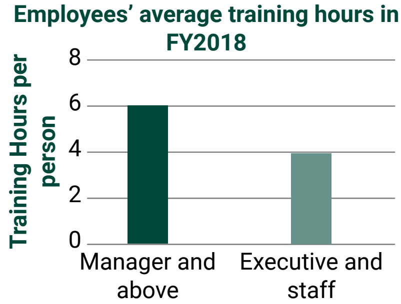
UMB views training as a key element to building its workforce capacity.

Leadership training and activities is part of UMB's succession planning. This year, all managers and identified potential managers of UMB's operating units attended an in-house training titled "Leading with our Strengths". Participants were taught to implement a strength-based initiative within their team by embracing the strengths of their colleagues and subordinates.

An internal "Talent Development" session was held to assess the quality of potential candidates for the position of assistant manager in Peninsular estates. Candidates were asked to discuss challenges they faced in their respective estates and within the plantation industry and how they planned to overcome such challenges. These sessions provided candidates with a good platform to share with management their ideas. Moving forward, a similar session will be conducted in UMB's Sabah estates.

Throughout FY2018, UMB employees also attended seminars, conferences and training courses to keep up with the latest information in the industry. Training courses included but is not limited to:

- Incorporated Society of Planters (ISP) National Seminar 2017
- Oil Palm Best Practices Workshop 2017
- Best Practices for Quality Improvement: From FFB to Processed Palm Oil
- Palm and Lauric Oils Conference 2018
- A Public Training Lead Auditor Malaysian Sustainable Palm Oil (MSPO)
- Companies Act 2016: Radical Changes to The Company Law
- Emergency Response Team (ERT) Training



UMB managers having group discussions during the "Leading with our Strengths"

UMB also emphasises the importance of performance review and appraisal as an essential procedure to nurture and reward our employees. KPI system is in place to better monitor the work progress of employees. The KPI is cascaded down from the CEO and is reviewed every 6 months. One on one appraisal are conducted by the superiors of the employees and their performance is evaluated.

EMPLOYEE BENEFITS AND AMENITIES

UMB complies with the Malaysian Minimum Wages Order 2016 and also provides reasonable benefits to all employees and workers. To attract and retain valued employees, UMB strives to offer above the minimum remuneration package.

Benefits	Description
Interest-free Motorcycle Loan	• Provided to all confirmed employees who are executives or staff requiring the use of their own motorcycle to perform their duties
Long Service Award	• To give recognition to long-serving employees who have served the Group for 10, 15, 20 and 25 years
Free Overseas Tour	• Provided to employees ranked Manager and above, who have held the position for not less than 10 years, at the quantum approved by the management

Table 4: UMB key employee benefits

UMB also provides housing for workers and their families. Houses in the South East Pahang Estate are currently undergoing a major renovation to improve existing accommodation and general facilities. The houses will be upgraded from a two-room house to a unit with three rooms in line with legal requirements. Other improvements include installing a proper piping and electrical wiring systems.

Labour quarters of South East Pahang Estate

One initiative to obtain feedback from workers about their concerns is through the Social Impact Assessment (SIA). This year's SIA was conducted in Bukit Senorang Estate, South East Pahang Estate and Bukit Senorang Palm Oil Mill.

Among the concerns raised by workers was regarding the long distance to the nearest government clinic from UMB's Pahang estates. In response, an Estate Clinic has been built furnished with the necessary medical supplies and equipment. The clinic is strategically located to be easily accessible to those working in the two estates and one mill, and is staffed by an Assistant Medical Officer (AMO).

Estate Clinic where workers, employees and their family members seek treatment

EMPLOYEE ENGAGEMENT ACTIVITIES

UMB continually encourages employees and workers to participate actively in social and recreational activities organised by the Group such as Sports Carnival, Annual Dinner and Family Day. These activities are aimed at fostering harmony and strengthening the bonds between employees and the workers from the Peninsular Malaysia, Sabah and Indonesia operations.

UMB ANNUAL DINNER

2017 Annual Dinner held at Hatten Hotel, Melaka

Scholarship awarded to eligible students from various universities during annual dinner

UMB SPORTS CARNIVAL

Prize-giving ceremony to Champion, 1st and 2nd Runner up

Opening ceremony for 5th UMB Sports Carnival

BUKIT SENORANG PALM OIL MILL – FAMILY CUM SPORTS DAY

Acara tarik tali for men

Acara lari rebut gula-gula for children

ADDRESSING LABOUR SHORTAGE AND MECHANISING OUR BUSINESS

In the labour-intensive plantation sector, UMB faces the challenge of attracting and retaining employees. Aside from existing initiatives to retain workers by improving their housing and other benefits, since FY 2015, mechanisation has been introduced in phases throughout all UMB estates Malaysia to reduce reliance on labour. Mechanisation is also expected to improve estates' efficiency and productivity.

Management is targeting mechanising at least 60% of the Group's hectarage by end of FY2018. To date, three types of machineries have been introduced – fertiliser spreader, mini tractor grabber and power sprayer. A few Rotoslasher and Superbull units were also used in estates to facilitate grass cutting and loading of FFB in narrow terraces respectively. All field workers have gone through the necessary training prior to implementing mechanisation.

Machineries	Function	Benefits
Fertiliser Spreader	Mechanised fertiliser application	One unit replacing the work of 10 workers.
Mini Tractor Grabber (MTG)	FFB infield loading	Doubled collection capacity per worker
Power Sprayer	Mechanised pesticide spraying	Reduced the five-person workload to one and effected 12 % cost savings
Rotoslasher	Grass cutting	To maintain the soft grass
Superbull	Loading of FFB	Suitable for use at narrow terrace

Table 5: Main machineries introduced across UMB estates

Fertiliser spreader speeds up the manuring process as it covers a larger area within the same period of time compared with manual manuring. One unit of fertiliser spreader can replace on average 10 workers' daily workload.

Turbo-Spin Fertiliser Spreader

Collection efficiency for Fresh Fruit Bunches (FFB) has increased with the introduction of Mini tractor grabber (MTG). Speed in transporting FFB for processing after harvesting directly affects the yield and quality of the processed Crude Palm Oil (CPO). With the MTG, a harvester is able to double productivity from the current 1.5MT collection per day to 3 MT. To date, Bukit Senorang Estate and South Pahang Estate have achieved 100% mechanisation for MTG in-field fruit bunch collection.

FFB is transported to the mill within 24 hours after harvesting to ensure higher yield and quality of CPO

Meanwhile, a power sprayer was introduced for effective herbicide spraying in fields. This machine can be adjusted for selective spraying or “strip and circle” spraying. From FY2017 records, power sprayers used in the South Pahang Estate has reduced the need for labour – from the initial five persons to one person, generating 12% of cost savings.

Power sprayer in operation

LOCAL COMMUNITIES

In keeping with its corporate social responsibility (CSR), UMB strives to maintain good relations with local communities in areas where its estates and oil mills are located.

SOCIAL IMPACT ASSESSMENT (SIA)

SIA is an initiative started by UMB in 2017 better understand the concerns of stakeholders and its employees as well as to receive feedback on any aspect of UMB's operations. Key issues covered in the SIA include:

- Access and use rights
- Economic livelihood
- Women, health and educational facilities for children
- Cultural and religious values
- Subsistence matters

COMPLAINTS AND GRIEVANCES PROCEDURE

Aside from SIA, UMB also provides other platforms for stakeholders to communicate their views and concerns. A SOP for Handling Complaints and Grievances was fully implemented in 2017. Complainants with grievances are required to fill in a Complaints and Grievances Form, an investigation will be launched and action taken accordingly. Time taken to resolve each complaint will be based on the criticality of the issue, see table below:

	A	B
1	Critical	Moderate
2	High Impact	Low Impact

A1	< 24 Hours
A2	< 3 days
B1	< 5 days
B2	< 14 days

Table 6: Categories of criticality regarding complaints and grievances

For any issue that requires further discussion between the complainants and UMB, face-to-face meetings are held. After the matter is resolved, the complainant will be notified either by email or letter and documents received will be recorded for MSPO Documentation purposes. In FY2018, no grievances or complaints were received by UMB management.

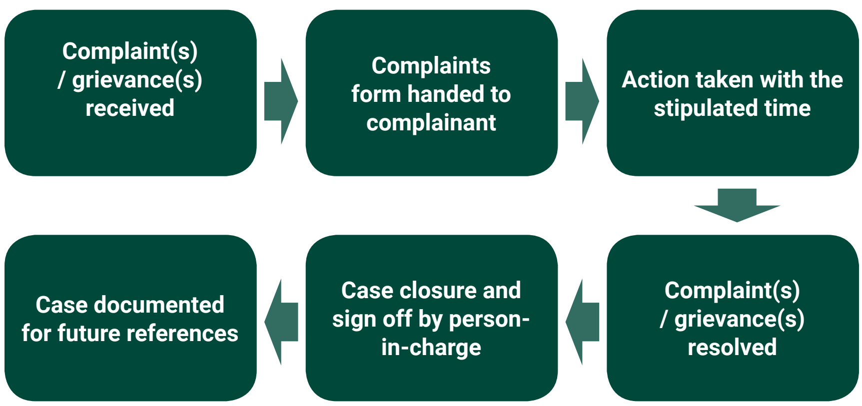


Diagram 9: Standard procedure for UMB Group's complaints and grievances handling

Stakeholder Meeting in Bukit Senorang Estate, Pahang

Stakeholder Meeting in Millian Labau Plantations, Sabah

STAKEHOLDER CONSULTATION AND COMMUNICATION

Meetings with stakeholders are conducted annually in all estates and mills. Discussions at these meetings focus on any issue raised by stakeholders or by management relating to stakeholders. These meetings include representatives from local communities, contractors, suppliers, as well as government agencies.

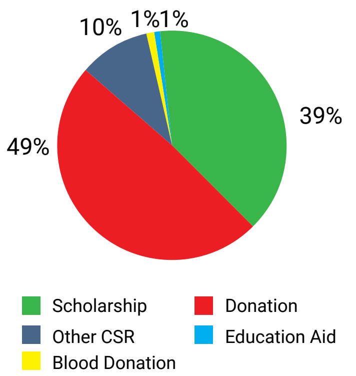
CORPORATE SOCIAL RESPONSIBILITIES (CSR) ACTIVITIES

As a socially responsible company, UMB gives donations to schools, foundations, villages and workers. For FY18, UMB contributed RM223, 328 towards various causes that were primarily focused on promoting health & wellbeing.

UMB has also provided scholarships to high achievers to enable them to pursue local universities courses relevant to UMB's human resource requirements. This includes Agriculture or related subjects, Mechanical Engineering, Accounting and Information Technology. Four students were awarded UMB scholarships for FY18, totalling RM87,000.

Through Educational Aid and Tun Tan Siew Sin Scholarship, UMB also provides financial assistance to children of workers, staff and executives who excel in public examinations such as the Ujian Penilaian Sekolah Rendah (UPSR), Penilaian Tingkatan 3 (PT3), Sijil Pelajaran Malaysia (SPM) and Sijil Tinggi Pelajaran Malaysia (STPM).

CSR CONTRIBUTION BREAKDOWN (%)



At the estate and mill level, UMB has conducted several CSR activities including:

Programmes	Beneficiaries	Impacts
Supplying POME	Nearby estates, villages and schools	Encourage communities to use organic fertiliser
painting fences	Local schools	UMB employees and workers participated to assist in painting fences of the school

Table 7: CSR activities completed by UMB in FY2018

ENVIRONMENTAL MANAGEMENT

UMB recognises the footprint its operations leave on the environment. UMB is committed to preserving the environment through minimising potential damage to biodiversity and natural resources.

ENVIRONMENTAL COMPLIANCE

UMB takes compliance with environmental requirements seriously by implementing all relevant measures in its estates and oil mills. During the period under review, the Group did not receive any environmental - related fines or complaints.

Commitments under UMB Environmental Policy

- Create cleaner environment though continuous improvement -reduction of wastes, prevention of air pollution, water pollution and land contamination arising from daily operations.
- Comply with all environmental legislation, regulations and other requirements to meet or exceed good environmental practices.
- Practise conservation of natural resources including energy and water use and promote recycling reuse and reduce.
- Promote environmental awareness among all employees and third parties.

Diagram 10: Our commitments under UMB Environmental Policy

In line with our commitment to promote environmental awareness among all employees and third parties who work with us, we have organised a 3R awareness programme in the Pahang region and Machap estates on the 4 March 2018 in collaboration with the Ministry of Health Malaysia.

UMB employees and workers in Pahang and Machap estate participated in the 3R Awareness programme

HIGH CONSERVATION VALUE (HCV) ASSESSMENT IN UMB ESTATES

BACKGROUND

High Conservation Value (HCV) assessment was conducted in UMB estates this year as part of the MSPO requirement. This assessment reports on the status of UMB's site's biodiversity. It also provides recommendations on reducing or avoiding negative to biodiversity and HCV areas. In FY2018, UMB assessed the HCV areas of Bukit Senorang Estate and South East Pahang Estate.

FINDINGS

HCV areas identified in both estates cover an area of 33.75 hectares. The identified HCV areas are classified as HCV 4– areas that provides basic services of nature, in particular:

- Water catchment area with a significant conservation value for daily basic requirements or emergency water use. This water catchment area provides water for domestic use at workers' houses
- The river, tributaries, and streams, where the areas comply with the Department of Irrigation and Drainage (DID) permits and guidelines which prevent bank erosion.

Potential threats to HCV areas were subsequently identified through observations in the field and consultations with stakeholders. During the identification process, the extent of the impacted area as well as the severity and duration of the impact was considered. Among possible threats UMB's HC4 area are:

- Vegetation clearing
- Riverbanks erosion
- Sedimentation
- Eutrophication and vegetation overgrowth of the aquatic environment
- Interruption of aquatic biological health
- Degradation of catchment area

ACTION PLANS

UMB has implemented the relevant management and monitoring measures to minimise and avoid potential threats:

Marking river reserve (erosion prone area) on the map and in the field
- On map: highlighted area / marked in blue colour
- In estates signboard for buffer zone area

Water sampling and analysis
- Analysing natural waterways: to determine thewater quality at three different points
- Analysing drinking water: to determine whether it is safe for human consumption

HCV related briefing and training
- briefing and training workers: Buffer Zone Training, Policy Briefing (Slope & River Protection Policy)

Competencies Training on how to manage HCV at estates
- Training from HCV assessor to all staff and executives from UMB estates and Department of Sustainability & Mechanisation

Diagram 11: Management and monitoring measures done by UMB to preserve our HCV4 areas

This Statement is made in accordance with the resolution of the Board of Directors passed on 26 June 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (the "Board") of United Malacca Berhad ("UMB" or the "Company") presents this Corporate Governance Overview Statement, which outlines the corporate governance framework of UMB and its subsidiaries (collectively referred to as the "Group"), including a summary of its corporate governance practices, key focus areas and future priorities. The Board endeavours to provide stakeholders with a user-friendly and detailed disclosure of the Group's corporate governance practices under the leadership of the Board during the year.

Towards this end, the Corporate Governance Overview Statement is supplemented with a Corporate Governance Report. Based on a prescribed format, the Report provides a comprehensive overview of the Group's application of the Practices espoused by the Malaysian Code on Corporate Governance ("MCCG"). The Corporate Governance Reports is accessible via the Company's website (www.unitedmalacca.com.my) and through an announcement made on the website of Bursa Malaysia Securities Berhad.

These disclosures are made in accordance with paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR"). Preparation for the Corporate Governance Overview Statement and Corporate Governance Report was guided by Practice Note 9 of MMLR and the Corporate Governance (3rd Edition) issued by Bursa Malaysia Berhad.

The ensuing paragraphs should be read in tandem with other statements in this Annual Report (e.g. Statement on Risk Management and Internal Controls, Sustainability Statement and Reports on Board Committees) for a holistic understanding of the Group's corporate governance framework and practices.

OUR CORPORATE GOVERNANCE APPROACH

Over the 100 years since its inception in 1910, the Company has consistently delivered on its promise to create value for diverse stakeholders. Against the backdrop of volatile commodity prices, pressure from environmentalists globally and economic uncertainty, UMB has remained consistent in pursuing growth with an unwavering commitment to excellence and people-oriented success. This drive for enduring and sustainable business performance mutually reinforces the Board's commitment to fostering a corporate culture that is premised on the tenets of accountability, integrity and transparency.

The Group's overall approach to corporate governance is to:

- Uphold the highest standard of ethical conduct throughout the Group;
- Incorporate economic, environmental and social considerations into its business operations to promote long-term sustainability; and
- Position the right individuals at all leadership levels to manage the strategic direction of the Group.

As the nucleus of corporate governance, the Board regularly reviews the Group's corporate governance policies and procedures to ensure they are kept contemporaneous to the evolving expectations of stakeholders, global and domestic market dynamics and recognised best practices whilst remaining relevant to the needs of the Group. During the financial year under review, the local corporate governance landscape underwent a transformative period with the operationalisation of Companies Act 2016, the release of the latest iteration of the MCCG, amendments to the MMLR and the release of the Corporate Governance Guide (3rd Edition) by Bursa Malaysia Berhad.

SUMMARY OF OUR CORPORATE GOVERNANCE PRACTICES

Benchmarking its practices against the relevant promulgations, UMB has consistently applied all the Practices of MCCG, save for:

- Practice 3.1 (formulation of Code of Conduct and Ethics);
- Practice 4.6 (use of various methods to source for candidatures in relation to directorships);
- Practice 6.1 (adoption of a formal remuneration policy and procedures for Directors and Senior Management);
- Practice 7.2 (disclosure of Top 5 Senior Management remuneration);
- Practice 11.2 (adoption of integrated reporting);
- Practice 12.1 (provision of Notice of Annual General Meeting 28 days prior); and
- Practice 12.3 (use of technology to facilitate remote shareholders' participation during general meetings).

UMB has provided clear and comprehensive explanations for the non-application of the departed Practices in the Corporate Governance Report. The Board appreciates the line of sight or Intended Outcome envisioned by the MCCG and has put in place alternative measures that would, to a large extent, deliver similar outcomes. The Board will undertake a suitability assessment to assess the adoption of the departed Practices as it is the Board's foremost priority to ensure corporate governance practices are aligned to the needs of the Company.

With regards to the Step Ups encouraged by the MCCG (i.e. aspirational practices to support companies in achieving greater excellence in corporate governance), UMB has adopted Step Up 8.4 which calls for the Audit Committee to comprise solely of Independent Directors.

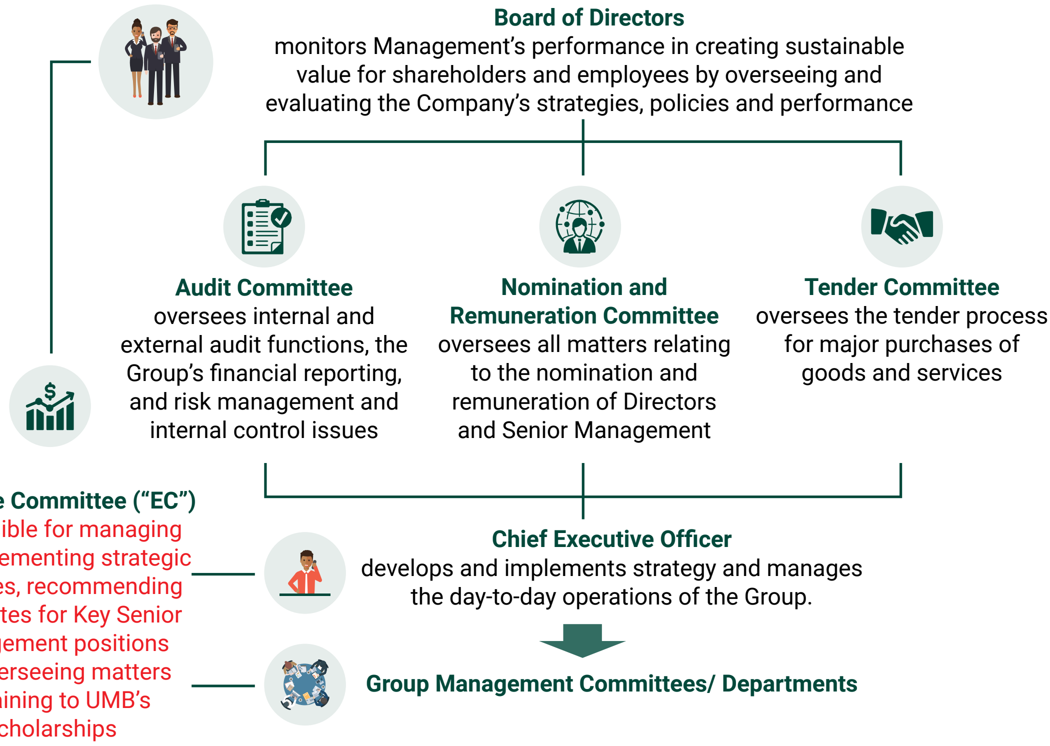
A summary of UMB's corporate governance practices with reference to the MCCG is outlined below.

Roles and responsibilities of the Board

The Board's primary role is to set the Group's strategic direction, guide and monitor Management in achieving the Group's strategic objectives and foster a sound corporate governance culture to ensure the proper management of the Group's businesses.

To assist the Board in its oversight function, the Board has instituted three Board Committees, namely, Audit Committee ("AC"), Nomination and Remuneration Committee ("NRC") and Tender Committee ("TC"). UMB Directors are informed of the activities of the Board Committees through circulation of the Committee meeting minutes and reports from the Chairmen of the respective Committees. While oversight of selected areas is delegated to the Board Committees, the Board is nonetheless guided by the dictum "delegate but not abdicate" and thus, retains collective oversight over the Committees. In undertaking their entrusted duties, the Board Committees are guided by their respective Terms of Reference.

The Board has formalised a Board Charter which outlines the parameters of responsibilities of the Board, Board Committees, individual Directors and the Chief Executive Officer and includes a schedule of matters reserved for the Board. Additionally, the Board Charter serves as a primary guide for both newly-appointed and incumbent Directors on the duties and functions of the Board and Board Committees.



To ensure an effective checks and balances mechanism is in place, there is a clear delineation of roles between the Chairperson of the Board and the Chief Executive Officer, as outlined in the Board Charter. The Chief Executive Officer manages the day-to-day operations of the Group and communicates the policies and decisions made by the Board to Management and employees of the Group. The Chief Executive Officer recommends and proposes to the Board the Group's annual business plans, budgets and risk management policies. The Board has also appointed a Senior Independent Director who acts as a sounding board to the Chairperson, and when necessary, is an intermediary for other Directors.

During the financial year under review, the Board and Board Committees have met with sufficient frequency to deliberate on matters under their purview. Throughout the year, Directors have demonstrated dedicated commitment in preparing, attending and actively participating during Board and Board Committees' meetings. During the year, the boardroom agenda focused primarily on executing the Group's strategic plan to diversify UMB's plantation area through expansion in Indonesia. The Board has also deliberated on pertinent issues including the Group's annual business plans and budgets, material acquisitions and disposals, financial results and key performance indicators. The meeting attendance of individual Directors during the year is outlined below:

	Board	AC	NRC[c]	TC
Datin Paduka Tan Siok Choo	8/8	1/1[a]	1/1[d]	3/3
Mr. Teo Leng	8/8	1/1[a]	1/1[d]	3/3
Tan Sri Dato' Ahmad Bin Mohd Don	8/8	5/5	4/4	3/3
Mr. Tan Jiew Hoe	6/8	3/4[b]	4/4	
Dato Dr Nik Ramlah Binti Nik Mahmood	7/8	4/4[b]	4/4	
Mr. Ong Keng Siew	8/8	4/4[b]	4/4	

Chairperson   Member

(a) Resigned from Audit Committee on 1 July 2017.
(b) Appointed as an Audit Committee member on 1 July 2017.
(c) The stand-alone Nomination Committee and Remuneration Committee was combined to become Nomination and Remuneration Committee ("NRC") on 1 July 2017. Prior to this change, during the financial year under review, all members of both Nomination Committee and Remuneration Committee were present for the respective meetings held.
(d) Datin Paduka Tan Siok Choo resigned from Remuneration Committee on 1 July 2017, while Mr Teo Leng resigned from Nomination Committee on 1 July 2017.

In fulfilling its fiduciary duties, the Board is supported by two suitably qualified and competent Company Secretaries. Apart from advising the Board on corporate governance and compliance matters, the Company Secretaries provide periodic updates on the latest regulatory developments as well as interpret and implement pertinent corporate governance provisions. Together with the Chief Executive Officer, the Company Secretaries assist the Chairperson of the Board and Chairmen of respective Board Committees to formulate meeting agenda and disseminate comprehensive meeting materials in a timely manner.

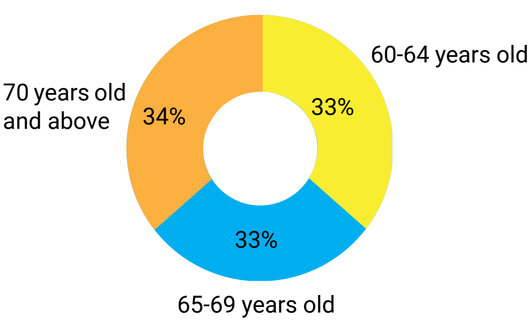
All Directors adhere to the Directors' Code of Ethics which outlines the standard of ethical behaviour expected of Directors, premised on the ethos and core values of the Group. The Board has incorporated guiding principles and provisions in the Employees' Handbook which governs the conduct of employees. The Employees' Handbook is disseminated to all employees.

Board Composition

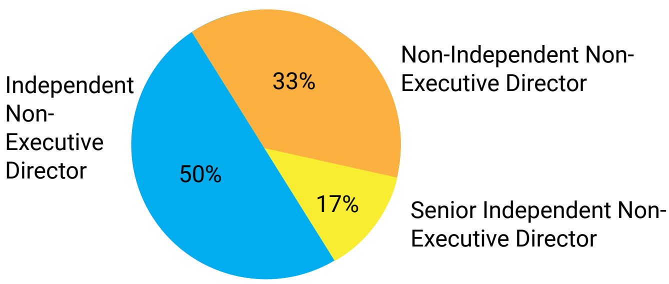
As the Group expands its operations to Indonesia, it is imperative for the Board to have an appropriate mix of skills, qualifications and experience that can support the Company's leadership in executing the long-term strategy for the Group. The NRC undertakes an annual assessment of the composition and size of the Board to ensure its effectiveness and to formulate corrective measures, when necessary. The combined skills and expertise of UMB Directors allows the Board to apply a diversity of perspectives in the Board's decision-making processes.

The Company has a long-standing history of constituting a diverse Board in terms of cultural background, ethnicity and age. UMB is one of the few listed companies that has a female Non-Executive Director as the Board Chairperson (i.e. only 9 out of the top 300 listed issuers by market capitalisation have female Non-Executive Chairperson)[1]. The composition of the Board is dissected below:

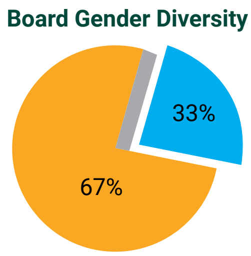
Directors'Age Composition



Types of Directorship



1. *Based on latest available annual reports as at 31 July 2017 (Source: Data analytics from KPMG Management & Risk Consulting Sdn Bhd)*



On an annual basis, the Board, Board Committees and individual Directors including Independent Directors are subjected to a comprehensive evaluation process that measures their performance and effectiveness. The assessment is administered using questionnaires that contains both objective and open-ended questions, based on a self and peer rating assessment model. The NRC reviews the outcome from the evaluation process and make recommendations to the Board. Additionally, the NRC undertakes an annual performance review of the Chief Executive Officer based on predetermined Key Performance Indicators (KPIs) as approved by the Board.

Remuneration

Competitive remuneration is a key component to attract, motivate and retain talented individuals to successfully run the business. To fulfil this objective, the Board adopts a formal policy for remunerating UMB's Senior Management based on the need to ensure long-term sustainability of the Group whilst taking into account the size and complexity of the Group's businesses. The Board periodically undertakes a review of Senior Management's remuneration to ascertain if it is competitive and within industry norms.

For Non-Executive Directors, their remuneration packages are structured to ensure their capacity to fulfil their fiduciary duties is not impaired. Remuneration for Non-Executive Directors reflects their responsibility, membership of the Board and Board Committees as well as their attendance at Board and Board Committee meetings.

Audit Committee

Comprising solely of Independent Directors, the AC provides robust and impartial oversight over the Group's financial reporting, audit and risk management processes. The Chairman of the AC is distinct from the Chairperson of the Board. This allows the Board to review the AC's findings and recommendations with unfettered objectivity and professional vigilance. The composition of the AC allows it to possess the requisite level of financial literacy and accounting expertise to understand financial matters of the Company.

The AC has unrestricted access to both internal and external auditors, who report directly to the AC. In maintaining a formal and transparent relationship with the external auditor, the AC adheres to the Group's External Independence Policy which governs the selection, appointment and assessment of the external auditor and the provision of non-audit services. During the year under review, the external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance with the terms of relevant professional and regulatory requirements.

Detailed disclosure of the role and activities of the AC is provided in the AC Report of this Annual Report.

Risk Management and Internal Control Framework

A robust yet dynamic risk management and internal control framework is key in enabling the Group to thrive in an ever-changing landscape. In formulating strategies for the Group, the Board and Management incorporate risks considerations. The Group has an Enterprise Risk Management framework that includes formalised risk management policies and procedures.

The Group has established an in-house Internal Audit Department to regularly review the Group's risk management and internal control systems. Reporting directly to the AC, the Internal Audit Department provides assurance to the Board on the effectiveness of the Group's internal control systems. In undertaking this duty independently, the Internal Audit Department is accorded an appropriate standing and authority and supported by an adequate budget and manpower, as approved by the AC.

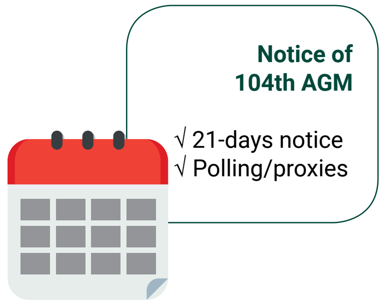
Further information on the Group's risk management and internal framework is available from the Statement of Risk Management and Internal Control of this Annual Report.

Communication with stakeholders

As dedicated stewards of the Company, the Board endeavours to foster a candid and transparent relationship with stakeholders. Towards this end, the Board ensures there is a continuous and open line of communication with stakeholders through continually updating the Company's website and providing detailed disclosure through announcements to Bursa Malaysia Securities Berhad. To augment these efforts, the Company conducts briefing sessions for institutional investors and analysts. The Senior Independent Director, Tan Sri Dato' Ahmad bin Mohd Don, serves as a conduit for enquiries or concerns from stakeholders who find the normal reporting channel insufficient or unsuitable.

Conduct of general meetings

The Annual General Meeting ("AGM") is the primary platform for shareholders to engage the Board and Senior Management in a two-way dialogue. During the previous year, all Directors, including the Chairmen of respective Committees, were present to provide clarification and to answer questions raised by shareholders. The Chief Executive Officer, Chief Financial Officer and the external audit Engagement Partner were also present to shed greater clarity and context when addressing enquiries from shareholders.



To give shareholders sufficient time to prepare and make the necessary arrangements to attend the upcoming AGM, the notice of AGM is provided to shareholders 21 days prior to the date of the AGM.

OUR FOCUS AREA ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED ("FYE") 30 APRIL 2018

Corporate governance areas which gained heightened attention from the Board during the financial year are as follows:

Corporate culture

The Board is committed to instilling an ethical corporate culture across every level of the Group and regards the welfare and well-being of employees of the Group as paramount. UMB has implemented several workplace initiatives during the year. These include upgrading housing units furnished with the necessary amenities for estate employees; an annual Sports Day designed to promote camaraderie and team spirit among employees; and the Green Earth Project whereby designated plots of land are allotted for growing vegetables for employees' personal consumption.

Additionally, to nurture a sense of ownership and promote goal convergence between the Group and its employees, UMB has instituted an Employees Share Option Scheme that extends to all employees of the Group, including clerical staff and drivers.

Risk management

Operating within the labour-intensive plantation industry, the Board acknowledges that UMB is susceptible to the risk of labour shortage, particularly due to the fast changing laws and regulations governing the hiring of foreign labour. As a measure to mitigate this risk, the Group has, under the watchful eye of the Board, introduced mechanisation with the introduction of new equipment and processes to aid the activities in UMB's plantation estates. Whilst the Board is aware that mechanisation would incur an initial investment outlay by the Group, the Board nonetheless believes that it can boost the long-term sustainability of the Group by reducing dependency on foreign labour without compromising on productivity.

Sustainability

Sustainability has gained significant traction in the corporate sector as a means to bring longevity to the thriving domestic marketplace. Towards this end, UMB's plantation estates in Malaysia and Indonesia are on track to become fully certified through the Malaysia Sustainable Palm Oil (MSPO) and Indonesia Sustainable Palm Oil (ISPO) certifications. The Board has assumed an active role in overseeing the progress towards full certification.

During the financial year, UMB has also progressed a step further in its sustainability journey through the publication of its inaugural Sustainability Statement, in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Sustainability Statement serves as an enhancement to the previous Corporate Social Responsibility Statement and continues to showcase UMB's commitment to bring positive externalities to the economic, environmental and social frontiers.

Directors' training and professional development

During the year under review, Directors have optimised the opportunities to develop and maintain their skills as well as enhance their knowledge and business awareness. Directors have attended a range of external training programmes, conducted at the local and regional level, to keep themselves abreast of changes in legislation, industry practices and the market landscape.

Visits to the Group's operational sites were also arranged for Directors in order for them to gain first-hand views of the Group's operations and thus, cultivate a holistic understanding of the business.

During the year in review, the Directors of UMB have participated the following professional development programmes:

Director	Conference/ Seminar/ Workshop	Date
Datin Paduka Tan Siok Choo	31st Asia-Pacific Roundtable (APR)	23-24 May 2017
	ISIS Malaysia - International Affairs Forum	6 June 2017
	FIDE Forum: 2nd Distinguished Board Leadership Series & 6th AGM	8 June 2017
	Bursatra: Financial Reporting Essential for Directors	13 June 2017
	NCCIM Economic Forum 2017	8 August 2017
	Tan Sri Andrew Sheng - How to position Malaysia in the New Economy – Opportunities & Pitfalls	8 August 2017
	Book Launch & Panel Discussion on "ASEAN: Future Forward"	28 August 2017
	Asian Strategy & Leadership Institute (ASLI) – KL Roundtable	23 September 2017
	Sunway University – JCI-MEA: The Reform Programme for Dynamic Sustainable Development	30 September 2017
	Malaysian Palm Oil Board (MPOB) – International Palm Oil Congress & Exhibit	14 November 2017
	Universiti Tunku Abdul Rahman (UTAR) – Tun Tan Cheng Lock Lecture Series	4 January 2018
	UBS: Exclusive event with the Honorable John Kerry, former US Secretary of State	15 January 2018
	KNB-KRI Seminar: Malaysian Income Distribution in a Global Context	18 January 2018
	ISEAS: Trends among the Malay Electorate: the Urban Voters	6 February 2018
	Tan Sri Andrew Sheng – Global Interest Rates Outlook	13 March 2018
Mr. Teo Leng	Securities Industry Development Corporation (SIDC) – Malaysian Code on Corporate Governance Roadshow	6 September 2017
	Eurostar Sdn Bhd & Malaysian Estate Owners' Association (MEOA) – MEOA Lab on mechnization	22-23 November 2017
	Malaysian Palm Oil Board / Malaysian Palm Oil Association (MPOA) – Forum on Oil Palm Research	24 November 2017
	Malaysian Palm Oil Board (MPOB) – MPOB Palm Oil Economic Review & Outlook Seminar	18 January 2018
Tan Sri Dato' Ahmad Bin Mohd Don	Board Selection – Engagement with Potential Directors	25 May 2017
	Malaysian Code on Corporate Governance 2017	23 August 2017
	Companies Act 2016	21 November 2017
Mr. Tan Jiew Hoe	Talk on influence of pH on Soil Microbial Community and Basal Stem Rot Disease Development in Oil Palm Seedlings by Universiti Putra Malaysia	21 February 2018
	Introduced Talk on Genetic Marker Development for High Yield Palm by Universiti Putra Malaysia	21 February 2018

Director	Conference/ Seminar/ Workshop	Date
Dato Dr Nik Ramlah Binti Nik Mahmood	FIDE Forum by Professor Sampler – Efficient Inefficiency: Making Board Effective in a Changing Worlds	4 May 2017
	Permodalan Nasional Berhad (PNB) – The Future of FinTech Digital Disruption	24 May 2017
	Securities Industry Development Corporation (SIDC) – Malaysian Code of Corporate Governance – A New Dimensions	14 June 2017
	International Corporate Governance Network (INGN) – Annual International Corporate Governance Conference	11-13 July 2017
	MINDA – Razak School of Government – International Directors Summit	21-22 August 2017
	Permodalan Nasional Berhad (PNB) – The Future of Globalisation and Liberalisation	12 September 2017
	Securities Industry Development Corporation (SIDC) – Building Business Resilience and Sustainability	25 October 2017
	Bursa Malaysia – Innovation Mindset with Effective Governance	7 November 2017
	30% Club Malaysia – Women participation on Board and invitation to the 30% Club Business Leaders Roundtable Meeting	8 December 2017
	Bursa Malaysia – MCCG Reporting and Corporate Guide	16 March 2018
	KPMG – Audit Committee Institute Roundtable	19 March 2018
Mr. Ong Keng Siew	Bursatra Sdn Bhd – Remuneration Committee: Attracting and Retaining The Best Talents	22 May 2017
	Securities Industry Development Corporation (SIDC)	17 July 2017
	Bursa Malaysia Berhad – Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	1 March 2018

CORPORATE GOVERNANCE FUTURE PRIORITIES (FYE 30 APRIL 2019 AND BEYOND)

As the Group continues to expand and diversify its operations, the Board will accordingly continue to implement measures to improve corporate governance. More specifically, the Board has identified the following initiatives to realise its corporate governance objectives.

Human capital and succession planning

Rapid growth of Malaysia's economy has resulted in a scarcity of talent and technical expertise in the plantation sector. This is compounded by the need for a seamless succession plan for key positions in the Group to ensure business continuity and the delivery of long-term growth and profitability. It is thus imperative for the Board to focus on driving recruitment and professional development programmes.

Towards this end, UMB provides scholarships for qualified university students studying subjects pertinent to the Group's business. Graduates under the University Scholarship Award form a readily-available candidate pool for vacancies within the Group. Recognising that people are the Group's biggest assets, the Group gives priority to the development of human capital. Simultaneously, the Board will continue to implement the prevailing Employee Share Option Scheme to further motivate and incentivise employees.

Existing processes are also in place to continuously identify and develop talent within every department in the Group. This ensures a talent pipeline for Senior Management positions. For the forthcoming year, the Board, through the NRC, will continue to focus on succession planning and identifying suitable successors for Senior Management positions.

Review of corporate governance policies and procedures

To further strengthen the overall effectiveness of the Board in fulfilling its fiduciary duties, the Board will continue to review the Group's corporate governance policies and procedures. Following reform measures in the domestic corporate governance landscape, the Board will enhance the existing Board Charter and Terms of Reference of the respective Board Committees to ensure they remain contemporaneous and relevant.

Amendments to the Company's Constitution

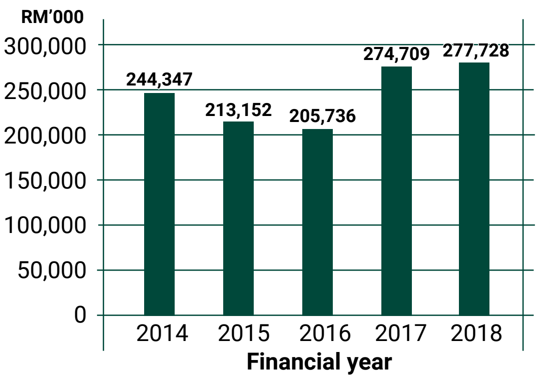
In line with the recent changes of legislative promulgations such as Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company will amend its Constitution to ensure it reflect the necessary changes and continues to serve as an effective tripartite agreement between shareholders, Directors and the Company.

This Statement is made in accordance with the resolution of the Board of Directors passed on 26 June 2018.

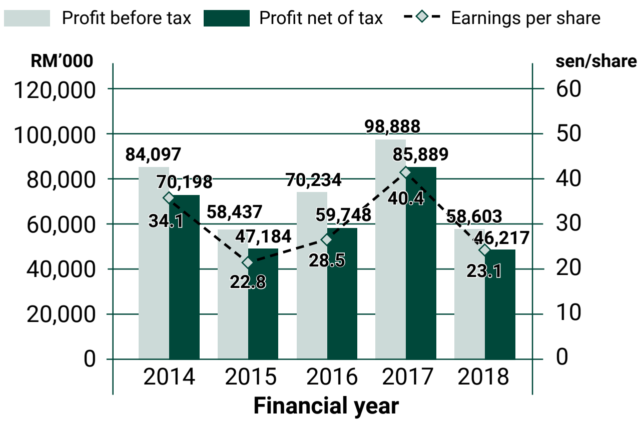
FIVE YEARS' FINANCIAL STATISTICS

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
REVENUE					
Plantation	**277,728**	274,709	205,736	213,152	244,347
GROUP PROFIT					
Oil palm products	**57,699**	91,577	50,276	53,144	73,825
Replanting expenses	**(2,368)**	(1,696)	(1,830)	(2,596)	(4,179)
Profit from plantation activities	**55,331**	89,881	48,446	50,548	69,646
Gain on disposal of an associate	**–**	–	–	–	5,675
Investment income	**8,491**	12,893	23,014	7,889	8,776
Interest expenses	**(5,219)**	(3,886)	(1,226)	–	–
Profit before tax	**58,603**	98,888	70,234	58,437	84,097
Income tax expense	**(12,386)**	(12,999)	(10,486)	(11,253)	(13,899)
Profit net of tax	**46,217**	85,889	59,748	47,184	70,198
Profit net of tax attributable to:					
Owners of the Company	**48,429**	84,554	59,572	47,184	70,198
Non-controlling interests	**(2,212)**	1,335	176	–	–
	46,217	85,889	59,748	47,184	70,198
Earnings per share attributable to owners of the Company (sen)	**23.1**	40.4	28.5	22.8	34.1

Revenue



Profit and Earnings Per Share



FIVE YEARS' FINANCIAL STATISTICS (continued)

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Property, plant and equipment	**1,039,013**	693,912	683,930	681,453	692,545
Biological assets	**654,721**	991,901	954,671	846,483	827,418
Prepaid land lease payments	**120,973**	132,527	133,047	11,355	11,829
Investment property	**–**	–	1,147	1,054	1,040
Goodwill on consolidation	**82,474**	82,474	82,474	18,628	18,628
Available-for-sale investments	**–**	–	21,272	25,002	47,418
Current assets	**203,700**	238,420	190,239	230,323	211,949
Total assets	**2,100,881**	2,139,234	2,066,780	1,814,298	1,810,827
EQUITY AND LIABILITIES					
Equity					
Issued and paid-up share capital	**212,084**	209,494	209,221	207,719	206,503
Capital reserves	**789,836**	882,963	893,844	897,275	895,596
Revenue reserves	**669,672**	660,958	605,586	575,175	573,858
Equity attributable to owners of the Company	**1,671,592**	1,753,415	1,708,651	1,680,169	1,675,957
Non-controlling interests	**39,100**	46,414	42,412	–	–
Total equity	**1,710,692**	1,799,829	1,751,063	1,680,169	1,675,957
Liabilities					
Term loan	**137,218**	151,900	136,623	–	–
Retirement benefit obligation	**469**	365	–	–	–
Deferred tax liabilities	**216,568**	147,190	152,568	111,605	111,661
Current liabilities	**35,934**	39,950	26,526	22,524	23,209
Total liabilities	**390,189**	339,405	315,717	134,129	134,870
Total equity and liabilities	**2,100,881**	2,139,234	2,066,780	1,814,298	1,810,827
FINANCIAL STATISTICS					
Earnings per share (sen)	**23.1**	40.4	28.5	22.8	34.1
Gross/Net dividend per share (sen)	**12.0**	23.0	16.0	16.0	26.0
Net dividend yield per share (%)	**2.0**	3.7	2.7	2.5	3.6
Return on average total assets (%)	**2.2**	4.1	3.1	2.6	3.9
Return on average equity (%)	**2.6**	4.8	3.5	2.8	4.2
Price earnings ratio (times)	**26.4**	15.3	20.9	28.0	20.9
Net assets per share (RM)	**8.0**	8.4	8.2	8.1	8.1
Share price as at financial year end (RM)	**6.10**	6.18	5.96	6.38	7.13
Debt/Equity (%)	**8.0**	8.4	7.8	N/A	N/A

GROUP TITLED AREA STATEMENT

As at 30 April 2018

In Hectares	2018			2017			2016			2015	2014
	Malaysia	Indonesia	Total	Malaysia	Indonesia	Total	Malaysia	Indonesia	Total	Malaysia	Malaysia
Oil Palm											
Mature	**20,277**	**4,752**	**25,029**	18,407	1,792	20,199	17,827	124	17,951	16,698	15,940
Immature	**1,490**	**1,489**	**2,979**	3,390	4,076	7,466	4,351	5,205	9,556	5,713	6,396
	21,767	**6,241**	**28,008**	21,797	5,868	27,665	22,178	5,329	27,507	22,411	22,336
Oil Palm (Plasma)											
Mature	**–**	**5,032**	**5,032**	–	2,894	2,894	–	102	102	–	–
Immature	**–**	**143**	**143**	–	2,280	2,280	–	5,072	5,072	–	–
	–	**5,175**	**5,175**	–	5,174	5,174	–	5,174	5,174	–	–
Total Planted Area	**21,767**	**11,416**	**33,183**	21,797	11,042	32,839	22,178	10,503	32,681	22,411	22,336
Development in progress	**–**	**621**	**621**	–	–	–	–	–	–	–	–
Plantable area	**115**	**4,720**	**4,835**	85	5,710	5,795	–	6,497	6,497	40	40
Unplantable area	**2,756**	**7,828**	**10,584**	2,759	7,833	10,592	2,463	7,585	10,048	2,190	2,265
	2,871	**13,169**	**16,040**	2,844	13,543	16,387	2,463	14,082	16,545	2,230	2,305
Total Group Titled Area	**24,638**	**24,585**	**49,223**	24,641	24,585	49,226	24,641	24,585	49,226	24,641	24,641

FIVE YEARS'
PLANTATION STATISTICS

	2018	2017	2016		2015	2014
ESTATES						
FFB production (tonne)						
- Malaysian operations	**352,514**	316,792	310,563		341,200	333,703
- Indonesian operations	**28,467**	19,198	377	*	–	–
Yield per weighted average mature hectare (tonne/ha)						
- Malaysian operations	**17.38**	17.11	17.40		20.39	20.92
- Indonesian operations	**5.99**	10.72	3.03	*	–	–

* 3 months production.

	2018	2017	2016	2015	2014
MILLS					
FFB processed (tonne)	**333,704**	311,496	334,528	353,398	370,063
Production					
- Crude palm oil (tonne)	**63,244**	60,025	66,525	70,850	76,455
- Palm kernel (tonne)	**15,237**	14,586	16,566	17,270	19,221
Oil extraction rate (OER) (%)	**18.95**	19.27	19.89	20.05	20.66
Kernel extraction rate (KER) (%)	**4.57**	4.68	4.95	4.89	5.19
AVERAGE SELLING PRICE					
Crude palm oil (RM/tonne)	**2,621**	2,832	2,207	2,265	2,485
Palm kernel (RM/tonne)	**2,306**	2,825	1,690	1,639	1,624
FFB (RM/tonne)					
- Malaysian operations	**518**	585	429	433	489
- Indonesian operations	**511**	567	364	–	–

AUDIT COMMITTEE REPORT

1.0 INTRODUCTION

Pursuant to Paragraph 15.15 of the Bursa Malaysia Securities Berhad's Listing Requirement, the Board of Directors of United Malacca Berhad is pleased to present the Audit Committee Report for the financial year ended 30 April 2018.

2.0 COMPOSITION

The Audit Committee was established on January 1991 to report to the Board of Directors the independence of External Auditors, compliance with financial reporting, obligations in line with Listing Requirements, Accounting Conventions and Reporting Standards including adequacy of disclosures to stockholders.

Audit Committee oversees risk management and internal control issues in the Group and also serves as a conduit between Directors, External and Internal Auditors, Senior Management on all matters related to its scope of work. It comprises the following members:

Chairman : Tan Sri Dato' Ahmad bin Mohd Don
(Senior Independent Non - Executive Director)

Members : Datin Paduka Tan Siok Choo (*)
(Non - Independent Non - Executive Director)

: Mr Teo Leng (*)
(Non - Independent Non - Executive Director)

: Mr Tan Jiew Hoe (**)
(Independent Non - Executive Director)

: Dato Dr Nik Ramlah binti Nik Mahmood (**)
(Independent Non - Executive Director)

: Mr Ong Keng Siew (**)
(Independent Non - Executive Director)

(*) Resigned as Member of the Audit Committee on 1 July 2017.
(**) Appointed as Member of the Audit Committee on 1 July 2017.

(i) The Audit Committee shall be appointed by the Board of Directors from among the Directors and comprise not less than three (3) members. All the Audit Committee members must be Non - Executive Directors, with a majority of them being Independent Directors.

(ii) Members of the Audit Committee shall elect the Chairman, who is an Independent Director from among the members.

(iii) If the number of Audit Committee members for any reason falls below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members required to fulfil the minimum requirement.

2.0 COMPOSITION (CONTINUED)

(iv) At least one (1) member of the Audit Committee:

a. Must be a member of The Malaysian Institute of Accountants (MIA); or

b. If he or she is not a member of MIA, he or she must have at least three (3) years' working experience and;

i. must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

ii. must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

c. Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

(v) The term of office and performance of the Audit Committee are reviewed by the Board of Directors periodically to determine whether members of the Audit Committee have carried out their duties in accordance with the terms of reference.

3.0 AUTHORITY

The Audit Committee shall have the following authority as empowered by the Board of Directors:

(i) Investigate any matter within its terms of reference.

(ii) Full and unrestricted access to any information pertaining to the Company including access to external resources.

(iii) Obtain external legal or other independent professional advice.

(iv) Granted resources required to perform its duties.

(v) Communicate directly with the External Auditors and person(s) carrying out the internal audit function or activity, and the Senior Management of the Group.

(vi) Convene meetings with the External Auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The key functions of the Audit Committee are stated in the AC's Terms of Reference which can be viewed at UMB website.

4.0 MEETINGS

The Audit Committee met on five (5) occasions during FY 2018 and the attendance of each member of the Audit Committee is as follows:

Directors	No of Meetings Attended During Director's Tenure in Office
Tan Sri Dato' Ahmad bin Mohd Don	5 out of 5
Datin Paduka Tan Siok Choo	1 out of 1
Mr Teo Leng	1 out of 1
Mr Tan Jiew Hoe	3 out of 4
Dato Dr Nik Ramlah binti Nik Mahmood	4 out of 4
Mr Ong Keng Siew	4 out of 4

The Company Secretary acts as Secretary to the Audit Committee. Minutes of each meeting are kept and circulated to the Audit Committee members and to all other Directors. The Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board of Directors.

(i) Meeting

Meetings shall be held not less than four (4) times a year. The Chairman may call for additional meetings at any time at his discretion. Upon request by the External Auditors, the Chairman shall convene a meeting of the Audit Committee to consider any matter the External Auditors believe should be brought to the attention of the Board of Directors or Stockholders.

(ii) Quorum

The quorum for a meeting shall be two (2) members and the majority of members present must be Independent Directors.

(iii) Attendance At Meeting

The Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, External Auditors and the person(s) carrying out the internal audit function or activity shall attend meetings at the invitation of the Audit Committee.

5.0 OVERVIEW ON WORK OF THE COMMITTEE

The Audit Committee reports to the Board of Directors and uses a comprehensive work plan, which identifies 4 areas of work: reporting compliance with Listing Requirements, effectiveness of the Internal Audit function, Risk & Internal Control issues and Special Areas.

During the FY 2018, the Committee had reviewed and assessed the following:

5.1 Reporting Compliance with Listing Requirements

5.1.1 Ensure quarterly financial results to be announced to Bursa Malaysia Securities Berhad comply with the Listing Requirements For Revamped Quarterly Reports on changes in or implementation of major accounting policies, significant and unusual events.

5.1.2 Ensure the annual audited financial statements are in line with the spirit of the new framework for corporate governance aimed at promoting greater transparency and disclosure.

5.1.3 Audit reports and observations made by External Auditors on the audited financial statements and the appropriate Management response.

5.1.4 Annual Audit Plan for FY 2018 comprising the audit scope, programme, functions, resource requirements, audit reports and recommended actions to be taken by Management, and its implementation.

5.1.5 Recommend to the Board proposed fees of the External Auditors for FY 2018.

5.1.6 Report related party transactions, if any, and conflict of interest situations.

5.1.7 Oversee draft Audit Committee Report for disclosure in the Group's Annual Report.

5.2 Effectiveness of The Internal Audit Function

5.2.1 The primary role of internal audit is to review the adequacy and effectiveness of the Group's systems of internal control. Governed by the Internal Audit Charter and internal auditing standard practices, Audit Committee ensures the Internal Auditor discharges his duties impartially, proficiently and with due professional care.

5.2.2 Internal Audit Department adopts a risk-based auditing approach by focusing on identified high risk areas for compliance with control policies and procedures, identifying business risks that have not been appropriately addressed and evaluating the adequacy and integrity of internal controls.

5.2.3 For the Sabah and Indonesian operations, 2 separate internal audit teams have been established in Millian Labau Plantations, Keningau since September 2012 and in Kalimantan, Indonesia in 2017.

5.2.4 In compliance with Paragraph 30, Appendix 9C of the Bursa Malaysia Securities Berhad's Listing Requirement, the Group has an Internal Audit Department headed by a Senior Manager, Manager and Senior Assistant Manager, and supported by seven (7) Executives. The Senior Manager and Senior Assistant Manager are registered members of The Institute of Internal Auditors Malaysia.

5.2.5 The total cost incurred in managing the internal audit function during the financial year ended 30 April 2018 was RM 773,076 [2017: RM 552,260]. Higher cost incurred this financial year was due to additional staff and more frequent audit visits carried out by the Internal Audit Department to Sabah and Indonesia.

5.0 OVERVIEW ON WORK OF THE COMMITTEE (CONTINUED)

5.2 Effectiveness of The Internal Audit Function (continued)

5.2.6 Summary of work done by the Internal Audit Department in accordance with the approved Annual Audit Plan covers:

(i) auditing the Group's operating units, including its subsidiaries, to ensure compliance with internal control procedures, highlighting control weaknesses and offering advice to ensure more effective and efficient use of resources within the Company.

(ii) facilitating improved business processes within the Group and its subsidiaries.

(iii) establishing follow up processes to address issues reported in previous audit visits.

(iv) drafting the Audit Committee Report and Statement on Internal Controls for disclosure in the Group's Annual Report.

(v) reviewing and verifying the allocation of share options under the Employee Share Option Scheme.

(vi) conducting investigation audits or ad-hoc reviews of specific areas that affect financial reporting or threaten the security of the Company's assets.

5.2.7 In total, Internal Audit Department issued 54 audit reports covering operations in the Head Office, estates and palm oil mills in Peninsular Malaysia, Sabah and Indonesia. It included two (2) special investigation audits carried out at the request of Management.

5.2.8 Follow up audit reviews were also carried out to monitor and ensure audit recommendations were implemented. Internal Audit focused on high risk areas such as stores and manuring, FFB collection and despatch, estate payroll, vehicle operating cost, FFB quality and mill operations.

5.3 Risk and Internal Control Matters

5.3.1 Adopt the Group Risk Management Committee quarterly report on the risk profiles and Management Action Taken.

5.4 Special Item

Two (2) private sessions were held with the External Auditors on 18 December 2017 and 22 March 2018 respectively without the presence of Management to discuss issues or significant matters that the External Auditors wished to raise.

The External Auditors also provided written assurance of their independence as stated in their Audit Plan dated 18 December 2017 to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

This report is made in accordance with a resolution of the Board of Directors dated 26 June 2018.

OTHER INFORMATION

PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITES BERHAD

1. Utilisation of Proceeds

There were no rights issue or issuance of bonds carried out during the financial year ended 30 April 2018 to raise any cash proceeds. However, the Company issued 301,200 ordinary shares under the Employee Share Option Scheme ("ESOS") for a cash consideration of RM1,635,000 during the financial year. The proceeds arising from the exercise of the share options pursuant to the ESOS were utilised for working capital purposes. In addition, the Company issued 109,800 ordinary shares under the Executive Share Incentive Plan ("ESIP") during the financial year.

2. Non-Audit Fees

During the financial year under review, the Group's non-audit fees paid or payable to the external auditors amounted to RM122,000 (please refer to page 135 of the audited financial statements).

3. Material Contracts Involving Directors and Major Shareholders

There is no material contract involving the Company and its subsidiaries with directors, Chief Executive who is not a director or major shareholders of the Company either still subsisting at the end of the financial year ended 30 April 2018 or entered into since the end of that financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (the "Board") of United Malacca Berhad ("UMB" or the "Company") is committed to maintain a robust system of risk management and internal control in the Company and its subsidiaries (collectively referred to as the "Group"). The Statement on Risk Management and Internal Control (the "Statement") outlines the scope of risk management and internal control of the Group for the financial year ended 30 April 2018.

Although the Board has taken into consideration the iterations encapsulated in the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" (the "Guidelines"), a publication endorsed by Bursa Malaysia Securities Berhad pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, this Statement does not cover joint ventures where risk management and internal controls are overseen by the respective governing bodies.

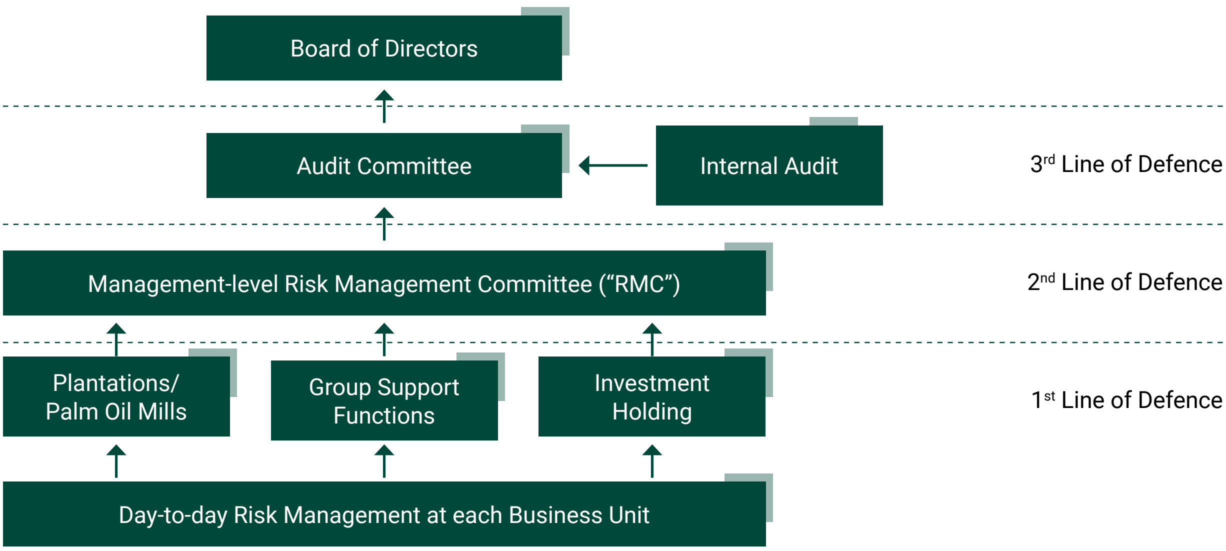
BOARD'S RESPONSIBILITY

To safeguard shareholders' investments, other stakeholders' interests and group assets, the Board recognises the importance of maintaining a sound system of internal control as well as identifying and managing risks. Accordingly, the Board affirms its overall responsibility in establishing and overseeing the Group's risk management and internal control system, as well as reviewing the adequacy and effectiveness of the system as shared in the Board Charter. In evaluating the adequacy and effectiveness of the Group's system of risk management and internal control, the Board is assisted by the Audit Committee comprising exclusively of Independent Non-Executive Directors.

The risk management system covers and manages financial, operational and compliance risks. Given the inherent limitations in any system of risk management and internal control, the system is designed to manage risks within reasonable limits rather than eliminating the risk of failure. The system can, therefore, only provide reasonable, but not absolute, assurance against material misstatements, financial losses, falsification or fraud.

RISK MANAGEMENT

Because risk management is critical to the Group's continued sustainability and the accretion of value creation, the Board has formalised an Enterprise Risk Management ("ERM") Framework to guide the delicate balance of risks and rewards in decision making. In this regard, a triple line of defence has been instituted to filter and address risks.



RISK MANAGEMENT (continued)

- 1st Line of Defence: Monitoring Day-to-Day Risk at Business Units

  The Board acknowledges the Group's risk management and internal control system should be implemented at each business unit which is required to be alert to internal and exogenous risk factors in the day-to-day business activities of the Group. Heads of Business Units' responsibilities are as follows:

  1. Identify risk exposures;
  2. Report risk exposures to the Risk Officer;
  3. Develop and implement an action plan to manage risks;
  4. Report status of action plan and implementation results; and
  5. Ensure significant risks are addressed in the management plan.

  Toward this end, the Heads of Business Units work together with the Risk Officer who acts as a conduit between the Management-level Risk Management Committee ("RMC") and Business Units. On a quarterly basis, the respective Heads of Business Units meet the Risk Officer to assess and evaluate the risk profile to determine which significant risks will be escalated to the RMC.

- 2nd Line of Defence: Anticipating Risks by the Risk Management Committee

  Meeting quarterly, the RMC anticipates risks, reviews prospective changes in the Group's risk profile and develops action plans/high-level risk strategies to mitigate or manage risks in line with UMB's business objectives.

  Note: The RMC is a Management-level Committee led by the Chief Executive Officer ("CEO") and supported by the Chief Financial Officer ("CFO"), Plantation Controllers as well as Senior Managers of various units (Administration and Corporate Affair, Sales and Purchasing, Sustainability and Mechanisation, Human Resources), Head of Internal Audit and Risk Officer.

- 3rd Line of Defence: Ensuring the adequacy and integrity of Risk Management and Internal Control Systems by the Audit Committee

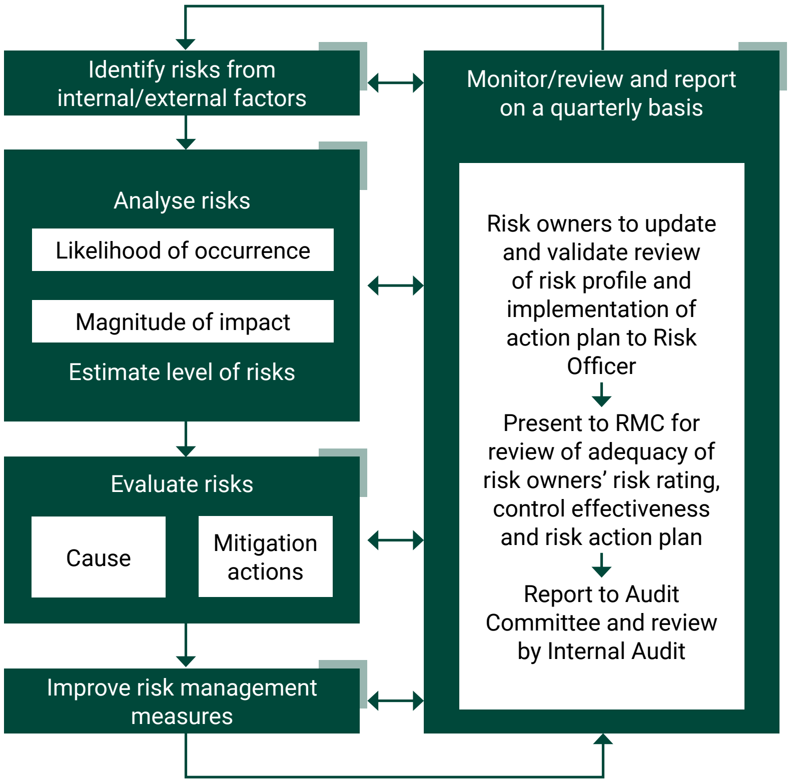
  The Internal Audit Department reports directly to the Audit Committee and provides independent assurance on the adequacy and operating effectiveness of governance, risk management and internal control processes.

  The Audit Committee conducts in-camera sessions with the external auditors twice a year without the presence of Management to facilitate candid exchange of views on internal control measures relating to financial reporting.

During the financial year under review, the results of risk updates were discussed at the RMC meetings, in which significant risk issues were further deliberated at the Audit Committee and/or Board meeting. Internal controls identified to address the said key risks were used as the basis to develop the risk-based internal audit plan.

RISK ASSESSMENT PROCESS

The Group's ERM framework process encompasses the following procedures:



- Identify and assess the likelihood of occurrence and the magnitude of impact of significant business risks arising from Business Units. On a quarterly basis, risk owners will update their risk profile to the Risk Officer and validate the review of their risk profile and implementation of action plan;
- Facilitate the risk assessment and risk action planning to ensure the likelihood and impact of an adverse event is within manageable and acceptable levels;
- Present on a quarterly basis, the root causes and mitigation actions to the RMC. The RMC will review and assess the adequacy of risk rating, control effectiveness and risk action plan;
- Report to the Audit Committee on a quarterly basis; and
- Review during internal audits and focusing on high risk areas of the effectiveness of governance, risk management and internal control processes and as well as providing independent views on specific risk and control issues, the state of internal control, trends and events.

The identified risks are assessed according to their likelihood and impact to derive a risk rating matrix. Based on the risk rating, Management can prioritise and appropriately manage the different risks.

SIGNIFICANT RISK FACTORS

For the financial year under review, UMB's significant risks identified and the attendant risk management approaches are outlined below:

Type of risk	Risk theme	Risk description	Risk management approach
Human capital risk	Inadequate labour supply	The Group faces a shortage of harvesters and field workers due to high dependency on foreign workers in the plantation industry.	Measures undertaken by the Group to mitigate this risk, include but is not limited to: • Introducing and implementing incentive schemes to retain existing workers and attract new workers; • Offering and enhancing housing benefits and other related amenities; and • Mechanising operations, particularly in labour intensive activities.
Operational risk	Adverse weather conditions	The climatic occurrence of El Nino led to prolonged dry weather and consequently, lower production of fresh fruit bunches in the preceding financial year. While global palm oil production is expected to rebound and reach high levels in 2018 as the yield-sapping effects of the El Nino dissipate, uncertain weather patterns in future remain an inherent risk.	Implement good water management systems and agriculture practices, including constructing water conservation pits/ponds, deepening water reservoirs in each estate to mitigate the impact of a drought, as well as implement fertigation system to low yield areas.
Business risk	Impropriate estate selection	Non-strategic location of estates and size will precipitate logistical issues and result in high production cost per hectare.	Management will undertake: • Feasibility studies to assess the suitability of new land to be acquired; and • Conduct due diligence review before embarking on new acquisition.
Market risk	Volatility in the price of crude palm oil ("CPO") and palm kernel ("PK")	CPO and PK are the main source of revenue for the Group. Fluctuating prices could have a substantial impact on cash flow and profits.	To cushion the impact of volatile CPO and PK prices, the Group sells its products on long-term contracts while part of its FFB is sold forward. Marketing personnel are also encouraged to keep abreast of the outlook for CPO and PK prices via online business platform for better decision-making.

SIGNIFICANT RISK FACTORS (continued)

Type of risk	Risk theme	Risk description	Risk management approach
Financial risk	Foreign exchange risk	The Group has transactional foreign currency exposure arising from bank borrowings in United State Dollars and Indonesia Rupiah. A weaker Ringgit and Rupiah will increase the cost of servicing of foreign currency debt.	The Group's risk management objectives and hypothetical sensitivity analysis is set out in Note 40(d) to the Financial Statements of the Annual Report on page 193.
Financial risk	Liquidity risk	Liquidity risk is the risk the Group will encounter difficulties in meeting financial obligations due to the shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the tenures of financial assets and liabilities.	The Group maintains a sufficient level of cash convertible investments to meet working capital requirements. It also manages its debt maturity profile, operating cash flow and availability of funds to ensure repayment and funding needs are met.

INTERNAL CONTROL FRAMEWORK

To maintain and enhance the adequacy and operating effectiveness of the Group's internal control framework, the Board acknowledges "soft" controls or intangible aspects of the Group's internal control framework should also be considered alongside "hard" controls.

The Audit Committee and the Board regularly review the adequacy and effectiveness of the Group's internal control framework. Salient elements of the Group's internal control framework are described below:

(i) Organisational Structure

The Group has a well-defined organisational structure with clear lines of responsibility and accountability.

(ii) Centralised Functions

Various support functions comprising finance, corporate affairs, administration, internal audit, human resource, agronomic, estate operations, palm oil mill operations, sustainability and mechanisation, safety and environment, marketing and purchasing are centralised to ensure uniform policies, procedures and implementation.

(iii) Code of Ethics and Employee Handbook

A Code of Ethics and Employees' Handbook has been put in place setting the standards of ethical behaviour expected from Directors and employees.

(iv) Whistleblowing Policy and Procedures

In line with Practice 3.2 of the Malaysian Code on Corporate Governance, a Whistleblowing Policy and Procedure has been put in place since 29 March 2016 to provide an avenue for stakeholders of the Group to raise bona fide concerns regarding potential breach of legislation and malpractices without fear of retaliation.

Legitimate concerns include wrongdoing, corruption, waste of the group's resources, miscarriages of justice, danger to health and safety or to the environment, any fraudulent cover-ups in the workplace and illegal activities. Whistleblowers can utilise existing reporting lines within the Group or alternatively, contact the CEO or the Chairperson in cases where Management is involved.

INTERNAL CONTROL FRAMEWORK (continued)

(v) Establishment of Annual Internal Audit Plan

An Annual Internal Audit Plan determines the Operating Centres and its auditable areas, desired frequency of visits, as well as identifying budgetary resources needed each financial year. For the financial year ending 30 April 2019, the Group has prepared an Annual Internal Audit Plan to ensure the Internal Audit Department is able to meet its objectives.

(vi) Standard Operating Manuals

The Group is guided by Manuals on Policy and Operating Procedures and Agriculture to ensure accountability and control procedures are in place.

- Authorisation Levels and Approval Limits

  The Group has established authorisation levels and approval limits for Management, CEO and Chairperson. Clearly defined and documented limits of authority, responsibility and accountability have been established through organisational structures and appropriate authority matrix, including matters requiring the Board's approval. In designing and implementing these limits of authority structures and systems, the Group is guided by the dictum that no individual should have unfettered power.

- Budgeting

  Each operating unit prepares its own annual budget including financial and operating targets, proposed capital expenditure and performance indicators for the forthcoming year. Meetings are held among Heads of Business Units, Senior Management and the CEO to finalise the draft budget beginning in the fourth quarter every financial year, the annual budget is presented to the Board for final review and approval.

- Tender Committee

  The Group has specified thresholds for major purchases of goods and services as well as contract work that must be tendered. A Management-level Tender Committee, comprising Senior Management personnel, carries out the tender exercise and submits recommendations to the CEO or Board Tender Committee based on the tender limits listed below:

Tender limit	Authorised by
Tender up to RM300,000	CEO
Tender above RM300,000	Board Tender Committee

(vii) Estate and Palm Oil Mill Visits

Regular as well as unscheduled visits to estates and palm oil mills are undertaken by the Chairperson, Directors, CEO, Senior Management, Internal Auditors, Risk Officer and the Group Finance team. During the year under review, the Group engaged an independent palm oil mill advisor to assess and evaluate the operations and management of the mills and to recommend corrective measures to improve performance and profitability.

To ensure consistent standards of agronomic practices across the Group, an in-house agriculture policy has been established to facilitate better estate management.

INTERNAL CONTROL FRAMEWORK (continued)

(viii) Occupational Safety and Health ("OSHA") Committee

To ensure a safe working environment, the OSHA committee meets regularly and conducts safety programmes. Safety guidelines in an infographic form have been drawn up and circulated to all staff in the estates. During the year under review, the Safety Officer visited estates and palm oil mills to ensure OSHA activities are carried out effectively.

(ix) Integrated Management System

The Group has implemented a Plantation Micro Macro Programme ("PMMP"), a comprehensive plantation management software system, in all its Malaysian estates. The PMMP collects all harvesting data from the field as well as data on the collection of fresh fruit bunches to the ramp and thereafter to the mill. Data is monitored to improve the yield and facilitate decision-making.

For the year under review, all UMB's 21 estates and mills in Malaysia have been successfully certified by Malaysia Palm Oil Board as complying with Code of Good Agriculture and Milling Practices.

Furthermore, UMB's estates in Indonesia are on track to become fully certified by the Indonesian Sustainable Palm Oil (ISPO) by end of 2018.

(x) Coverage and Safeguarding of Major Assets

Insurance and physical safeguards over major assets are in place to ensure group assets are covered against any untoward incidents that may result in material losses. Insurance coverage is reviewed annually by Senior Management to ensure its adequacy.

PERFORMANCE REVIEW AND REPORTING

Comprising Senior Managers, group management monitors and reviews monthly financial and operational results, as well as forecasts for the Group's business units, assessing performance against budgets, monitors marketing operations and formulates plans to address areas of concern.

Monthly financial and performance reports are submitted to the Board. Results are assessed against budgets, with major variances explained. Monthly marketing reports are also submitted to the Board detailing crude palm oil and palm kernel price movements and committed sales.

Prepared quarterly and annually together with detailed analysis, financial statements are reviewed by the Audit Committee and recommended to the Board for approval prior to submission to Bursa Malaysia Securities Berhad. Reports on the performance of the estates and palm oil mills, the Group's financial position as well as treasury are also presented at Board meetings.

INTERNAL AUDIT FUNCTION

UMB's in-house Internal Audit Department's primary function is to provide regular and independent review of the Operating Units, conduct speedy ad-hoc audits requested by the CEO and/or Audit Committee and implement follow-up audits.

Internal Audit provides assurance whether UMB's governance, risk and control systems are functioning according to approved internal audit plans and that significant risks are identified together with recommendations on how they are to be managed. These are reported to the Board on a quarterly basis.

A summary of focus areas during the financial year under review, including reports submitted to Audit Committee, are set out in the Audit Committee Report of this Annual Report.

REVIEW BY THE EXTERNAL AUDITORS

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Ernst and Young, the external auditor, has reviewed this Statement for inclusion in this Annual Report of the Group for the financial year ended 30 April 2018. The limited assurance review was performed in accordance with the Audit and Assurance Practice Guides (AAPGs), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention to cause them to believe the Statement was not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report to be set out, nor is factually incorrect.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

For the financial year under review and up to the date of this Statement for inclusion in this Annual Report, the Board is of the view the Group's risk management and internal control system is adequate and effective to safeguard the interests of shareholders, customers and employees. There were no material weaknesses or deficiencies in the system of internal controls that could directly results in material loss to the Group.

The CEO and CFO have also provided documented assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 June 2018.

Financial **Statements**

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of cultivation of oil palm and investment holding.

The principal activities of the subsidiaries are cultivation of oil palm, palm oil milling and investment holding.

Other information relating to the subsidiaries are disclosed in Note 20 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	46,217	43,836
Profit net of tax attributable to:		
Owners of the Company	48,429	43,836
Non-controlling interests	(2,212)	–
	46,217	43,836

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 30 April 2017 were as follows:

	RM'000
In respect of the financial year ended 30 April 2017 as reported in the directors' report of that year:	
Second interim single-tier dividend of 12 sen, on 209,318,701 ordinary shares, declared on 22 June 2017 and paid on 24 August 2017	25,118
Special single-tier dividend of 3 sen, on 209,318,701 ordinary shares, declared on 22 June 2017 and paid on 24 August 2017	6,280
In respect of the financial year ended 30 April 2018:	
First interim single-tier dividend of 6 sen, on 209,660,001 ordinary shares, declared on 18 December 2017 and paid on 8 February 2018	12,579
	43,977

DIVIDENDS (continued)

On 28 June 2018, the directors declared a second interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 30 April 2018 on 209,681,201 ordinary shares, amounting to approximately RM12,581,000 which is payable on 20 August 2018. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Datin Paduka Tan Siok Choo *
Tan Sri Dato' Ahmad bin Mohd Don *
Tan Jiew Hoe *
Teo Leng *
Dato Dr. Nik Ramlah binti Nik Mahmood
Ong Keng Siew

* These directors are also directors of the Company's subsidiaries.

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Peter A/L Benjamin
Winston Chua Eng Meng
Kiswanto
Aziz Putera

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Scheme ("ESOS") and the ordinary shares granted under the Executive Share Incentive Plan ("ESIP"), both under the Employee Share Scheme ("ESS") of the Company.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' BENEFITS (continued)

The directors' benefits are as follows:

	Group RM'000	Company RM'000
Fees	502	400
Salaries and other emoluments	397	397
Estimated money value of benefits-in-kind	21	21
	920	818

INDEMNIFYING DIRECTORS OR OFFICERS

During the financial year, the total amount of indemnity coverage and insurance premium paid for Directors and Officers of the Company are RM20,000,000 and RM27,000 respectively.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

		← Number of ordinary shares →			
Name of director		**1.5.2017**	**Transferred**	**Sold**	**30.4.2018**
Direct Interest:					
Ordinary shares of the Company					
Datin Paduka Tan Siok Choo		3,658,681	868,516 *	–	4,527,197
Tan Sri Dato' Ahmad bin Mohd Don		110,500	–	–	110,500
Tan Jiew Hoe		356,625	–	–	356,625
Teo Leng		70,000	–	–	70,000
Indirect Interest:					
Ordinary shares of the Company					
Datin Paduka Tan Siok Choo	i	2,605,549	(2,605,549) *	–	–
Tan Jiew Hoe	ii	2,525,021	–	–	2,525,021
Teo Leng	iii	7,000	–	–	7,000

i Interest by virtue of shares held by her late mother, Toh Puan Lim Cheng Neo.
  * During the financial year, the shares of the late Toh Puan Lim Cheng Neo were transferred to her children, one of whom is Datin Paduka Tan Siok Choo.

ii Interest by virtue of shares held by the companies in which he is a director.

iii Interest by virtue of shares held by his spouse.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM209,494,131 to RM212,084,031 by way of:

(a) issuance of 301,200 ordinary shares for cash pursuant to the Employee Share Option Scheme ("ESOS") at a weighted average exercise price of RM5.43 per ordinary share; and

(b) issuance of 109,800 ordinary shares pursuant to the Executive Share Incentive Plan ("ESIP") at a weighted average exercise price of RM6.49 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE SCHEME

The Company's Employee Share Scheme ("ESS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 29 August 2009. The ESS was implemented on 18 June 2010 and is in force for a period of 10 years from the date of implementation.

The ESS comprises Employee Share Option Scheme ("ESOS") and Executive Share Incentive Plan ("ESIP") for the directors and eligible employees of the Company and its subsidiaries.

The maximum number of new or existing shares of the Company to be made available under the ESS during the duration of the ESS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time. Not more than fifty percent (50%) of the total shares of the Company available under the ESS shall be allocated, in aggregate, to directors and senior management of the Group.

The Scheme is administered by the Remuneration Committee.

The salient features of the By-Laws are disclosed in Note 34 to the financial statements.

Employee Share Option Scheme ("ESOS")

During the financial year, 515,000 options were offered and accepted by eligible employees under the ESOS, of which 30% are exercisable into new ordinary shares with immediate effect on 24 October 2017 whilst the balance of 70% are exercisable into new ordinary shares at different vesting periods and tranches beginning from October 2018, subject to the fulfilment of vesting conditions including but not limited to the satisfactory performance of the option holders during the exercise periods.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 30 April 2018 are as follows:

Grant date	Expiry date	Exercise price	Number of options
22 October 2013	21 October 2018	RM6.42	1,350,000
13 May 2015	12 May 2020	RM5.77	1,260,000
27 October 2015	17 June 2020	RM5.26	450,000
7 November 2016	17 June 2020	RM5.13	641,000
24 October 2017	17 June 2020	RM5.79	515,000

EMPLOYEE SHARE SCHEME (continued)

Employee Share Option Scheme ("ESOS") (continued)

As at 30 April 2018, the cumulative options granted to senior management of the Group amounted to 20% of total options granted to eligible employees.

No options under ESOS has been granted to directors during the current financial year.

Executive Share Incentive Plan ("ESIP")

During the financial year, 109,800 ordinary shares ("ESIP shares") has been granted to the selected executives of the Company and its subsidiaries. The vesting period of ESIP shares was from 1 August 2017 to 31 October 2017.

No ESIP shares have been granted to the directors during the current financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were finalised, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debt; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (continued)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENT AND EVENT OCCURRING AFTER THE REPORTING DATE

Details of the significant event during the financial year and event occurring after the reporting date are disclosed in Note 42 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 10 to the financial statements.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young for the financial year ended 30 April 2018.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 July 2018.

Datin Paduka Tan Siok Choo **Tan Sri Dato' Ahmad bin Mohd Don**

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datin Paduka Tan Siok Choo and Tan Sri Dato' Ahmad bin Mohd Don, being two of the directors of United Malacca Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 96 to 197 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 July 2018.

Datin Paduka Tan Siok Choo

Tan Sri Dato' Ahmad bin Mohd Don

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Er Hock Swee, being the senior manager (finance & accounts) primarily responsible for the financial management of United Malacca Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 96 to 197 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared)
by the abovenamed Er Hock Swee)
at Melaka in the State of Melaka)
on 24 July 2018)

Er Hock Swee
(MIA 22897)

Before me,

Chan Chiew Yen
Commissioner for Oaths
Melaka, Malaysia

INDEPENDENT AUDITORS' REPORT

To the members of United Malacca Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of United Malacca Berhad, which comprise statements of financial position as at 30 April 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 197.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2018, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Impairment of goodwill

(Refer to Notes 3.2, 6.2(c) and 19 to the financial statements)

As at 30 April 2018, the carrying amount of the goodwill of the Group amounted to RM82.5 million. This goodwill relates to the subsidiaries principally engaged in cultivation of oil palm and palm oil milling.

The Group is required to perform an impairment test annually by comparing the carrying amount of cash-generating units ("CGU") or group of CGUs, including goodwill, with its recoverable amount. The Group estimated the recoverable amount based on value-in-use ("VIU").

We identified this as an important area of our audit as significant audit efforts and judgment were involved in the assessment of recoverable amount. The estimation of VIU involved the assessment of possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate.

<u>How our audit addresses this matter</u>

Where the impairment assessment of the CGU or groups of CGU is based on VIU, we have amongst others:

- assessed the assumptions used relating to the forecasted and projected Crude Palm Oil ("CPO") and Fresh Fruit Brunches ("FFB") prices, FFB yield of the oil palm estates and the estimated remaining useful lives of the biological assets.

- assessed the CPO and FFB price assumptions through comparisons with the latest market evidence available, including long-term price forecasts.

- also assessed the discount factor used to determine the present value of the cash flows and whether the rate used reflect the current market assessment of the time value of money and the risk specific to the asset is the return that the investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

Key audit matters (continued)

Revaluation of freehold land, leasehold land, buildings and biological assets

(Refer to Notes 3.5, 3.6, 6.2(b), 16, 17 and 28 to the financial statements)

The Group and the Company adopt revaluation model for the freehold land, leasehold land, buildings (included within property, plant and equipment) and biological assets (collectively referred as the "revalued assets"). The revalued assets are carried at the fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses. When estimating the fair value, the objective is to estimate the price that would be received from the sale of the revalued assets in an orderly transaction between market participants at the reporting date under current market conditions. Due to the high level of judgment involved in the valuation process and the magnitude of the carrying amount of the revalued assets (77% and 59% of the Group's and the Company's total assets, respectively), this is considered to be a key audit matter.

How our audit addresses this matter

Our audit procedures focused on the valuations performed by firms of independent valuers, which included amongst others the following procedures:

- We have considered the objectivity, independence and expertise of the firms of independent valuers.
- We have obtained an understanding of the methodology adopted by the independent valuers in estimating the fair value of the revalued assets and assessed whether such methodology is consistent with those used in the industry.
- We had discussions with the independent valuers to obtain an understanding of the property related data used as inputs to the valuation models.
- We have also assessed the disclosures in the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standard and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are as below:

- <u>Audited by member firm of Ernst & Young Global in Indonesia</u>
  PT Lifere Agro Kapuas

- <u>Audited by firm other than Ernst & Young</u>
  International Natural Resources Pte. Ltd.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Lee Ah Too
02187/09/2019 J
Chartered Accountant

Melaka, Malaysia

Date: 24 July 2018

INCOME STATEMENTS

For the financial year ended 30 April 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	7	277,728	274,709	98,951	129,216
Cost of sales		(198,916)	(163,317)	(45,810)	(35,568)
Gross profit		78,812	111,392	53,141	93,648
Other income	8	22,537	30,488	20,543	25,089
Selling and distribution expenses		(7,217)	(5,957)	(3,453)	(2,627)
Administrative expenses		(17,253)	(16,527)	(8,561)	(8,566)
Other expenses		(10,689)	(14,926)	(4,891)	(15,883)
Replanting expenses		(2,368)	(1,696)	(2,368)	(1,663)
Operating profit		63,822	102,774	54,411	89,998
Interest expenses	9	(5,219)	(3,886)	(5,240)	(3,907)
Profit before tax	10	58,603	98,888	49,171	86,091
Income tax expense	13	(12,386)	(12,999)	(5,335)	(3,739)
Profit net of tax		46,217	85,889	43,836	82,352
Profit net of tax attributable to:					
Owners of the Company		48,429	84,554	43,836	82,352
Non-controlling interests		(2,212)	1,335	–	–
		46,217	85,889	43,836	82,352
Earnings per share attributable to owners of the Company (sen per share):					
Basic	14	23.12	40.41		
Diluted	14	23.12	40.41		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 April 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit net of tax	46,217	85,889	43,836	82,352
Other comprehensive income/(loss):				
Items that will be subsequently reclassified to profit or loss:				
Net gain on fair value changes on available-for-sale investments	–	1,409	–	1,409
Transfer of gain on disposal of available-for-sale investments to profit or loss	–	(20,191)	–	(20,191)
Exchange differences on translation of foreign operations	(31,878)	14,025	–	–
	(31,878)	(4,757)	–	(18,782)
Items that will not be subsequently reclassified to profit or loss:				
Reversal of deferred tax on revaluation surplus of freehold lands upon disposal	5	–	5	–
Revaluation surplus of lands and buildings	347,838	–	174,097	–
Less: Deferred tax effect	(76,563)	–	(35,920)	–
Reversal of revaluation surplus of biological assets	(334,416)	–	(143,756)	–
Less: Deferred tax effect	668	–	553	–
Actuarial gain/(loss) on retirement benefit obligation	95	(3)	–	–
Less: Deferred tax effect	(24)	1	–	–
	(62,397)	(2)	(5,021)	–
Total comprehensive (loss)/income for the year	(48,058)	81,130	38,815	63,570
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(40,744)	77,541	38,815	63,570
Non-controlling interests	(7,314)	3,589	–	–
	(48,058)	81,130	38,815	63,570

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 April 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Property, plant and equipment	16	1,039,013	693,912	520,825	348,614
Biological assets	17	654,721	991,901	303,000	443,122
Prepaid land lease payments	18	120,973	132,527	–	–
Goodwill on consolidation	19	82,474	82,474	–	–
Investment in subsidiaries	20	–	–	428,293	428,293
		1,897,181	1,900,814	1,252,118	1,220,029
Current assets					
Inventories	21	29,760	20,735	3,345	3,119
Trade and other receivables	22	49,324	115,907	85,163	51,514
Held-for-trading investments	23	–	22,803	–	22,803
Held-to-maturity investments	24	43	301	–	48
Financial assets at fair value through profit or loss	25	25,016	48,375	25,016	48,339
Cash and bank balances	26	99,557	30,299	14,642	16,225
		203,700	238,420	128,166	142,048
Total assets		2,100,881	2,139,234	1,380,284	1,362,077

		Group		Company	
	Note	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Equity and liabilities					
Equity					
Share capital	27	212,084	209,494	212,084	209,494
Share premium	27	42,795	42,795	42,795	42,795
Other reserves	28	747,041	840,168	352,009	359,058
Retained earnings	29	669,672	660,958	545,841	543,646
Equity attributable to owners of the Company		1,671,592	1,753,415	1,152,729	1,154,993
Non-controlling interests		39,100	46,414	–	–
Total equity		1,710,692	1,799,829	1,152,729	1,154,993
Non-current liabilities					
Term loan	30	78,410	151,900	78,410	151,900
Retirement benefit obligation	31	469	365	–	–
Deferred tax liabilities	32	216,568	147,190	77,662	42,008
		295,447	299,455	156,072	193,908
Current liabilities					
Term loan	30	58,808	–	58,808	–
Trade and other payables	33	33,802	35,446	12,229	12,797
Income tax payable		2,132	4,504	446	379
		94,742	39,950	71,483	13,176
Total liabilities		390,189	339,405	227,555	207,084
Total equity and liabilities		2,100,881	2,139,234	1,380,284	1,362,077

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 April 2018

	Attributable to owners of the Company											
		Non-distributable							Distributable			
2018	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	Fair value adjustment reserve (Note 28) RM'000	Asset revaluation reserve (Note 28) RM'000	Foreign currency translation reserve (Note 28) RM'000	Employee share option reserve (Note 28) RM'000	Employee share incentive reserve (Note 28) RM'000	Total other reserves (Note 28) RM'000	Retained earnings (Note 29) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 May 2017	209,494	42,795	–	829,061	8,883	2,224	–	840,168	660,958	1,753,415	46,414	1,799,829
Total comprehensive income/(loss):												
Profit for the financial year	–	–	–	–	–	–	–	–	48,429	48,429	(2,212)	46,217
Reversal of deferred tax on revaluation surplus of freehold land upon disposal	–	–	–	–	–	–	–	–	5	5	–	5
Revaluation surplus of land and buildings, net of tax	–	–	–	271,275	–	–	–	271,275	–	271,275	–	271,275
Reversal of revaluation surplus of biological assets, net of tax	–	–	–	(333,748)	–	–	–	(333,748)	–	(333,748)	–	(333,748)
Actuarial gain on retirement benefit obligation, net of tax	–	–	–	–	–	–	–	–	59	59	12	71
Exchange differences on translation of foreign operations	–	–	–	–	(26,764)	–	–	(26,764)	–	(26,764)	(5,114)	(31,878)
	–	–	–	(62,473)	(26,764)	–	–	(89,237)	48,493	(40,744)	(7,314)	(48,058)
Transfer to retained earnings:												
Realisation of asset revaluation reserve upon:												
- Depreciation	–	–	–	(3,647)	–	–	–	(3,647)	3,647	–	–	–
- Disposal of property, plant and equipment	–	–	–	(102)	–	–	–	(102)	102	–	–	–
	–	–	–	(3,749)	–	–	–	(3,749)	3,749	–	–	–
Transactions with owners:												
Fair value of share options granted to eligible employees	–	–	–	–	–	550	–	550	–	550	–	550
Shares issued pursuant to ESOS	1,877	–	–	–	–	(242)	–	(242)	–	1,635	–	1,635
Employee share options forfeited	–	–	–	–	–	(78)	–	(78)	78	–	–	–
Employee share options expired	–	–	–	–	–	(371)	–	(371)	371	–	–	–
ESIP expense	–	–	–	–	–	–	713	713	–	713	–	713
Shares issued pursuant to ESIP	713	–	–	–	–	–	(713)	(713)	–	–	–	–
Dividends (Note 15)	–	–	–	–	–	–	–	–	(43,977)	(43,977)	–	(43,977)
	2,590	–	–	–	–	(141)	–	(141)	(43,528)	(41,079)	–	(41,079)
Closing balance at 30 April 2018	212,084	42,795	–	762,839	(17,881)	2,083	–	747,041	669,672	1,671,592	39,100	1,710,692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 April 2018

(continued)

	Attributable to owners of the Company											
		Non-distributable							Distributable			
2017	**Share capital (Note 27) RM'000**	**Share premium (Note 27) RM'000**	**Fair value adjustment reserve (Note 28) RM'000**	**Asset revaluation reserve (Note 28) RM'000**	**Foreign currency translation reserve (Note 28) RM'000**	**Employee share option reserve (Note 28) RM'000**	**Employee share incentive reserve (Note 28) RM'000**	**Total other reserves (Note 28) RM'000**	**Retained earnings (Note 29) RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Opening balance at 1 May 2016	209,221	42,795	18,782	832,356	(2,888)	2,799	–	851,049	605,586	1,708,651	42,412	1,751,063
Total comprehensive income/(loss):												
Profit for the financial year	–	–	–	–	–	–	–	–	84,554	84,554	1,335	85,889
Actuarial loss on retirement benefit obligation, net of tax	–	–	–	–	–	–	–	–	(2)	(2)	–	(2)
Exchange differences on translation of foreign operations	–	–	–	–	11,771	–	–	11,771	–	11,771	2,254	14,025
Net gain on fair value changes on available-for-sale investments	–	–	1,409	–	–	–	–	1,409	–	1,409	–	1,409
Transfer of gain on disposal of available-for-sale investments to profit or loss	–	–	(20,191)	–	–	–	–	(20,191)	–	(20,191)	–	(20,191)
	–	–	(18,782)	–	11,771	–	–	(7,011)	84,552	77,541	3,589	81,130
Transfer to retained earnings:												
Realisation of asset revaluation reserve upon:												
- Depreciation	–	–	–	(3,289)	–	–	–	(3,289)	3,289	–	–	–
- Property, plant and equipment written off	–	–	–	(6)	–	–	–	(6)	6	–	–	–
	–	–	–	(3,295)	–	–	–	(3,295)	3,295	–	–	–
Transactions with owners:												
Additional investment in a subsidiary	–	–	–	–	–	–	–	–	–	–	413	413
Fair value of share options granted to eligible directors and employees	–	–	–	–	–	448	–	448	–	448	–	448
Shares issued pursuant to ESOS	273	–	–	–	–	(22)	–	(22)	–	251	–	251
Employee share options forfeited	–	–	–	–	–	(387)	–	(387)	387	–	–	–
Employee share options expired	–	–	–	–	–	(614)	–	(614)	614	–	–	–
Dividends (Note 15)	–	–	–	–	–	–	–	–	(33,476)	(33,476)	–	(33,476)
	273	–	–	–	–	(575)	–	(575)	(32,475)	(32,777)	413	(32,364)
Closing balance at 30 April 2017	209,494	42,795	–	829,061	8,883	2,224	–	840,168	660,958	1,753,415	46,414	1,799,829

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 April 2018

	Attributable to owners of the Company								
		Non-distributable						Distributable	
2018	Share capital (Note 27) RM'000	Share premium (Note 27) RM'000	Fair value adjustment reserve (Note 28) RM'000	Asset revaluation reserve (Note 28) RM'000	Employee share option reserve (Note 28) RM'000	Employee share incentive reserve (Note 28) RM'000	Total other reserves (Note 28) RM'000	Retained earnings (Note 29) RM'000	Total equity RM'000
Opening balance at 1 May 2017	209,494	42,795	–	356,834	2,224	–	359,058	543,646	1,154,993
Total comprehensive income/(loss):									
Profit for the financial year	–	–	–	–	–	–	–	43,836	43,836
Reversal of deferred tax on revaluation surplus of freehold land upon disposal	–	–	–	–	–	–	–	5	5
Revaluation surplus of land and buildings, net of tax	–	–	–	138,177	–	–	138,177	–	138,177
Reversal of revaluation surplus of biological assets, net of tax	–	–	–	(143,203)	–	–	(143,203)	–	(143,203)
	–	–	–	(5,026)	–	–	(5,026)	43,841	38,815
Transfer to retained earnings:									
Realisation of asset revaluation reserve upon:									
- Depreciation	–	–	–	(1,781)	–	–	(1,781)	1,781	–
- Disposal of property, plant and equipment	–	–	–	(101)	–	–	(101)	101	–
	–	–	–	(1,882)	–	–	(1,882)	1,882	–
Transactions with owners:									
Fair value of share options granted to eligible employees	–	–	–	–	550	–	550	–	550
Shares issued pursuant to ESOS	1,877	–	–	–	(242)	–	(242)	–	1,635
Employee share options forfeited	–	–	–	–	(78)	–	(78)	78	–
Employee share options expired	–	–	–	–	(371)	–	(371)	371	–
ESIP expense	–	–	–	–	–	713	713	–	713
Shares issued pursuant to ESIP	713	–	–	–	–	(713)	(713)	–	–
Dividends (Note 15)	–	–	–	–	–	–	–	(43,977)	(43,977)
	2,590	–	–	–	(141)	–	(141)	(43,528)	(41,079)
Closing balance at 30 April 2018	212,084	42,795	–	349,926	2,083	–	352,009	545,841	1,152,729

	Attributable to owners of the Company								
		Non-distributable						Distributable	
2017	**Share capital (Note 27) RM'000**	**Share premium (Note 27) RM'000**	**Fair value adjustment reserve (Note 28) RM'000**	**Asset revaluation reserve (Note 28) RM'000**	**Employee share option reserve (Note 28) RM'000**	**Employee share incentive reserve (Note 28) RM'000**	**Total other reserves (Note 28) RM'000**	**Retained earnings (Note 29) RM'000**	**Total equity RM'000**
Opening balance at 1 May 2016	209,221	42,795	18,782	358,617	2,799	–	380,198	491,986	1,124,200
Total comprehensive income/(loss):									
Profit for the financial year	–	–	–	–	–	–	–	82,352	82,352
Net gain on fair value changes on available-for-sale investments	–	–	1,409	–	–	–	1,409	–	1,409
Transfer of gain on disposal of available-for-sale investments to profit or loss	–	–	(20,191)	–	–	–	(20,191)	–	(20,191)
	–	–	(18,782)	–	–	–	(18,782)	82,352	63,570
Transfer to retained earnings:									
Realisation of asset revaluation reserve upon:									
- Depreciation	–	–	–	(1,782)	–	–	(1,782)	1,782	–
- Property, plant and equipment written off	–	–	–	(1)	–	–	(1)	1	–
	–	–	–	(1,783)	–	–	(1,783)	1,783	–
Transactions with owners:									
Fair value of share options granted to eligible directors and employees	–	–	–	–	448	–	448	–	448
Shares issued pursuant to ESOS	273	–	–	–	(22)	–	(22)	–	251
Employee share options forfeited	–	–	–	–	(387)	–	(387)	387	–
Employee share options expired	–	–	–	–	(614)	–	(614)	614	–
Dividends (Note 15)	–	–	–	–	–	–	–	(33,476)	(33,476)
	273	–	–	–	(575)	–	(575)	(32,475)	(32,777)
Closing balance at 30 April 2017	209,494	42,795	–	356,834	2,224	–	359,058	543,646	1,154,993

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 30 April 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities					
Profit before tax		58,603	98,888	49,171	86,091
Adjustments for:					
Amortisation of prepaid land lease payments	10	3,000	1,393	–	–
Depreciation of property, plant and equipment	10	27,976	20,141	11,367	7,763
Dividend income	8	(319)	(1,346)	–	–
Fair value of share options expensed off:					
- employees	11	550	555	311	311
- non-executive directors	12	–	(107)	–	(107)
Gain on disposal of:					
- available-for-sale investments	8	–	(20,191)	–	(20,191)
- property, plant and equipment	8	(1,325)	(126)	(1,325)	(108)
Interest expenses	9	5,219	3,886	5,240	3,907
Interest income	8	(2,406)	(1,034)	–	–
Net fair value (gains)/losses on financial assets at fair value through profit or loss:					
- realised	7,8	(1,341)	(1,253)	(1,339)	(1,251)
- unrealised	7,8,10	344	(2)	343	(2)
Net fair value (gains)/losses on held-for-trading investments:					
- realised	8	(3,639)	(839)	(3,639)	(839)
- unrealised	8,10	2,722	(2,614)	2,722	(2,614)
Net unrealised foreign exchange (gain)/loss	8,10	(11,363)	14,235	(14,910)	15,327
Property, plant and equipment written off	10	215	79	108	25
Operating cash flows before changes in working capital		78,236	111,665	48,049	88,312
Changes in working capital:					
(Increase)/decrease in inventories		(10,282)	(2,515)	(226)	1,562
Decrease/(increase) in trade and other receivables		59,959	(16,272)	(5,869)	1,200
(Decrease)/increase in trade and other payables		(1,001)	9,025	(670)	4,803
Increase in retirement benefit obligation		262	356	–	–
Cash flows from operations carried forward		127,174	102,259	41,284	95,877

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating activities (continued)					
Cash flows from operations brought forward		127,174	102,259	41,284	95,877
Interest received		2,189	1,051	–	–
Interest paid		(5,117)	(3,708)	(5,137)	(3,728)
Income taxes refunded		1,805	192	1,663	–
Income taxes paid		(20,130)	(15,569)	(6,639)	(3,158)
Net cash flows from operating activities		105,921	84,225	31,171	88,991
Investing activities					
Dividend received from:					
- available-for-sale investments		–	743	–	–
- held-for-trading investments		336	599	–	–
Purchase of:					
- available-for-sale investments		–	(578)	–	(578)
- financial assets at fair value through profit or loss		(20,000)	(29,124)	(20,000)	(29,124)
- held-for-trading investments		(12,060)	(25,737)	(12,060)	(25,737)
- property, plant and equipment	16	(34,236)	(33,280)	(11,853)	(10,625)
Proceeds from disposal of:					
- available-for-sale investments		–	23,259	–	23,259
- financial assets at fair value through profit or loss		44,356	5,000	44,319	5,000
- held-for-trading investments		35,620	24,187	35,620	24,187
- property, plant and equipment		2,234	193	2,186	112
Additions of:					
- biological assets		(8,413)	(23,113)	(2,231)	(5,721)
- prepaid land lease payments	18	(3,267)	(2,873)	–	–
Loan to a subsidiary		–	–	(89,739)	(41,356)
Repayment of loan from a subsidiary		–	–	62,346	–
Net withdrawal of held-to-maturity investments		258	704	48	139
Net cash outflow on acquisition of subsidiaries		–	–	–	(3,087)
Net cash flows from/(used in) investing activities		4,828	(60,020)	8,636	(63,531)

STATEMENTS OF CASH FLOWS
For the financial year ended 30 April 2018
(continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Financing activities					
Dividends paid	15	(43,977)	(33,476)	(43,977)	(33,476)
Payment of fair value of share options granted to eligible employees by subsidiaries		–	–	239	244
Proceeds from exercise of:					
- employee share options under ESOS		1,635	251	1,635	251
- ESIP shares		713	–	713	–
Net cash flows used in financing activities		(41,629)	(33,225)	(41,390)	(32,981)
Net change in cash and cash equivalents		69,120	(9,020)	(1,583)	(7,521)
Effect of foreign exchange rate changes		138	(697)	–	–
Cash and cash equivalents at beginning of financial year		30,299	40,016	16,225	23,746
Cash and cash equivalents at end of financial year	26	99,557	30,299	14,642	16,225

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka.

The principal activities of the Company consist of cultivation of oil palm and investment holding.

The principal activities of the subsidiaries are described in Note 20.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") as issued by the Malaysian Accounting Standards Board ("MASB") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have also been prepared on a historical basis, unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Company, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Company/Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

3.2 Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal off the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

3.3 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.4 Foreign currency translation

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken into the profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at average exchange rate. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent to recognition, property, plant and equipment except for freehold land, long term leasehold land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land is not depreciated and measured at fair value. Long term leasehold land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land, long term leasehold land and buildings at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated on a straight-line basis over the period of the respective leases whilst depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings	2% to 5%
Plant and machinery	5% to 10%
Office equipment, furniture and fittings	5% to 25%
Motor vehicles, tractors, trailers and boats	10% to 25%

Capital work-in-progress is not depreciated as this asset is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.6 Biological assets

Biological assets represent new planting expenditure on oil palms, which consist of cost of land clearing, upkeep of trees to maturity and attributable amortisation and depreciation charges capitalised. Net income from scout harvesting in immature areas is credited against the new planting expenditure.

Biological assets are stated at cost or revalued amounts and are not amortised. Revalued amounts are the fair values at the date of the revaluation less any accumulated impairment losses. Fair value is determined based on existing use basis by appraisal that is undertaken by an independent professional valuer. The revaluation surplus arising is credited to the asset revaluation reserve included within equity.

Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the biological assets at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Biological assets (continued)

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

3.7 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. Prepaid land lease payments are amortised on a straight line basis over their lease terms.

3.8 Investment property

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuer having an appropriate recognised professional qualification. Gain or loss arising from change in the fair value of investment property is included in profit or loss in the year in which it arises.

A property is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 3.5 up to the date of change in use.

3.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally covered a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3.11 Plasma receivables

Plasma receivables represent the accumulated cost to develop plasma plantation, which are currently being self-financed by a subsidiary. Upon obtaining financing from the designated bank, the said advances will be offset against the corresponding funds received. For certain plasma plantations, the loan obtained from the bank are guaranteed by the subsidiary (acting as nucleus company). When the development of plasma plantation is substantially completed and ready to be transferred or handed-over to plasma farmers, the corresponding investment credit from the bank is also transferred to plasma farmers. Excess or shortfall resulting from the difference between the carrying value of the plasma receivables and the corresponding bank loan is regarded as payable or recoverable from the plasma farmers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include available-for-sale investments, trade and other receivables, held-for-trading investments, held-to-maturity investments, cash and bank balances.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Subsequent measurement (continued)

Available-for-sale financial investments (continued)

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(a) Financial assets (continued)

(iii) Derecognition (continued)

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of FRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank borrowing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(c) Financial liabilities (continued)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. No financial liability has been designated at fair value through profit or loss during the reporting period.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method ("EIR") amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

(c) Financial liabilities (continued)

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 Inventories

Inventories comprise produce stocks, nursery stocks, estate and palm oil mill stores.

Produce stocks are valued at the lower of cost and net realisable value. Cost is determined on the weighted average ex-estate/mill production costs and includes transport charges, where appropriate. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Nursery stocks are valued at the lower of cost (determined on the weighted average basis) and net realisable value. Cost of nursery stocks includes where appropriate the cost of direct materials and direct labour.

Estate and palm oil mill stores are valued at the lower of cost (determined on the weighted average basis) and net realisable value.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term deposits with a maturity of three months or less and highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value.

3.15 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Dividend distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in the statement of comprehensive income.

3.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

3.19 Revenue and other income recognition

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivable.

The Company and its subsidiaries assess their revenue arrangements against specific criteria in order to determine if the Company and its subsidiaries are acting as principal or agent. The Group and the Company have concluded that they are acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of fresh fruit bunches, crude palm oil and palm kernel

Revenue from sale of fresh fruit bunches, crude palm oil and palm kernel is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers.

(b) Interest income

Interest income is recognised using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Revenue and other income recognition (continued)

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Rental income

Rental income arising from operating leases on leased assets is accounted for on a straight-line basis over the lease terms.

3.20 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Retirement benefits

The Group has various retirement benefit plans in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed constributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines the amount of pension benefit to be provided, usually as a function of one or more factors such as age and years of service.

(i) Defined contribution plans

The Group makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

The Group operates defined benefit plans for eligible employees of a foreign subsidiary. The amount recognised as a liability in respect of the defined benefit plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets.

The Group determines the present value of the defined benefit obligations and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Employee benefits (continued)

(b) Retirement benefits (continued)

(ii) Defined benefit plans (continued)

The present value of the defined obligations and the related current service cost and past service cost are determined using the projected unit credit method by an actuary. The rate used to discount the obligations is based on market yields at the reporting period for high quality corporate bond or government bonds.

Remeasurement of the net defined obligation which comprise of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets are recognised directly within equity in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

In measuring its defined benefit liability, the Group recognises past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the defined benefit plan, the Group recognises past service cost immediately in profit or loss.

Net interest is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of contributions and benefit payment during the reporting period. Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

(c) Employee share option plan

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the profit or loss, with a corresponding increase in the employee share option reserve over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period. No expense is recognised for options that do not ultimately vest.

When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

The employee share option reserve is transferred to retained earnings upon forfeiture or expiry of the share options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Employee benefits (continued)

(d) Employee share incentive plan ("ESIP")

The Company's ESIP, an equity-settled, share-based compensation plan, allows the selected executives of the Group to be entitled for ordinary shares of the Company as consideration for services rendered. The fair value of ordinary shares granted to selected executives is recognised in the profit or loss, with a corresponding increase in the employee share incentive reserve within equity over the vesting period.

The fair value of ordinary shares is measured at grant date, taking into account, if any, the market vesting conditions.

When the ordinary shares are exercised, the employee share incentive reserve is transferred to share capital if new shares are issued.

3.21 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

(b) Group as lessor

Leases in which the Group do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.23 Replanting expenditure

Replanting expenditure consists of expenses incurred from land clearing to the point of harvesting and is recognised in the profit or loss in the period that it is incurred.

3.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

(i) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Goods and Services Tax (“GST”) and Value-added Tax (“VAT”)

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- Where the amount of GST/VAT incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on the activities which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.26 Current versus non-current classification

Assets and liabilities in statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.27 Fair value measurement

Fair value is the price that would be received on sale of an asset or transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group or by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the accounting policies of the Group and of the Company. For this analysis, the senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The senior management, in conjunction with the external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 May 2017, the Group and the Company adopted the following standards mandatory for the annual periods beginning on or after 1 January 2017:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 12: *Annual Improvements to FRS Standards 2014-2016 Cycle*	1 January 2017
Amendments to FRS 107: *Disclosure Initiative*	1 January 2017
Amendments to FRS 112: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017

The adoption of the above standards have no material impact on the financial performance and position of the Group and of the Company.

The nature and impact of the above amended FRSs are described as below:

Amendments to FRS 12: *Annual Improvements to FRS Standards 2014-2016 Cycle*

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

Amendments to FRS 107: *Disclosure Initiative*

The amendments to FRS 107 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Statements of cash flows, the application of these amendments has had no impact on the Group and on the Company.

Amendments to FRS 112: *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assessed the sufficiency of future taxable profits in a way that is consistent with these amendments.

5. MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS FRAMEWORK")

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 April 2019. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework. This project consists of the following phases:

(a) Assessment and planning phase

This phase involves the following:

(i) High level identification of the key differences between Financial Reporting Standards and accounting standards under the MFRS Framework and disclosures that are expected to arise from the adoption of MFRS Framework;

(ii) Evaluation of any training requirements; and

(iii) Preparation of a conversion plan.

The Group considers the assessment and planning phase to be completed as at the date of these financial statements.

(b) Implementation and review phase

This phase aims to:

(i) develop training programs for the staff;

(ii) formulate new and/or revised accounting policies and procedures for compliance with the MFRS Framework;

(iii) identify potential financial effects as at the date of transition, arising from the adoption of the MFRS Framework; and

(iv) develop disclosures required by the MFRS Framework.

The Group considers the assessment and planning phase to be completed as at the date of these financial statements.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 30 April 2018 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 April 2019.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date, if any. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

6.1. Judgment made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Classification between investment property and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgment as to whether or not a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

The Group owns office buildings which comprise a portion that is held to earn rentals and another portion that is held for own use. Since the office buildings cannot be sold separately and the portion of the office buildings that is held for own use is not insignificant, the Group has classified the whole office buildings as property, plant and equipment.

6.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements are prepared. Existing circumstances and assumptions about future developments, however may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives and residual values of property, plant and equipment

The cost of property, plant and equipment, except for freehold land and capital work-in-progress, is depreciated on a straight-line basis over the assets' estimated useful lives. Management reviews the remaining useful lives and residual values of property, plant and equipment other than leasehold land at the end of each financial year and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives and residual values of property, plant and equipment may result in revision of future depreciation charges.

(b) Estimation of recoverable amounts on biological assets

Management considers the carrying amounts relating to biological assets to closely reflect fair values determined based on their last acquisition date or their last valuation date as such revaluations are done with sufficient frequency.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

6.2. Estimates and assumptions (continued)

(c) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 19.

(d) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Income tax

Judgment is involved in determining the provision for income taxes. There may be certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Employee share options

The Group measures the cost of equity-settled transactions with eligible directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 34.

(g) Employee share incentive

The Group measures the cost of equity-settled transactions with selected executives by reference to the fair value of the equity instruments at the date at which they are granted, taking into account, if any, the market vesting conditions.

(h) Fair value of biological assets

The biological assets are measured at their fair values less estimated point-of-sale costs. This requires an estimation of the value in use of the biological assets which involves assumptions on the crude palm oil prices, fresh fruit bunches yield and oil extraction rate over the remaining useful life of the biological assets adjusted based on indirect observable market data.

The accredited independent valuers were appointed in assessing value in use and required to make an estimate of the expected future cash flows from the biological assets. A suitable discount rate was used in order to calculate to their present value of those cash flows. The details are as disclosed in Note 17.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

6.2. Estimates and assumptions (continued)

(i) Revaluation of freehold and leasehold land

The freehold and leasehold land of the Group and of the Company as disclosed in Note 16 are measured at fair value. This requires an estimation of their fair values.

Valuations are performed with sufficient regularity by accredited independent valuers by reference to open market value using the market comparison method. Judgement is required in selecting any comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenure and restrictions if any, availability of infrastucture, soil type and drainage, age and density of plantings and other relevant characteristics.

During the financial year, revaluation of the freehold and leasehold land have been performed by accredited independent valuers. The details are as disclosed in Note 16.

7. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of oil palm products	277,728	274,709	77,204	73,090
Interest income from:				
- loan to a subsidiary *	–	–	3,376	1,398
- held-to-maturity investments and short term deposits	–	–	763	323
Net fair value gains on financial assets at fair value through profit or loss:				
- realised	–	–	1,339	1,251
- unrealised	–	–	–	2
Dividend income from:				
- subsidiaries	–	–	15,950	51,806
- available-for-sale investments				
- quoted in Malaysia	–	–	–	743
- held-for-trading investments				
- quoted in Malaysia	–	–	245	523
- quoted outside Malaysia	–	–	74	80
	277,728	274,709	98,951	129,216

* This represents the interest income from loan to a subsidiary, bearing interest at the rate of 6.7% (2017: 6.7%) per annum (Note 22(c)).

8. OTHER INCOME

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Dividend income from:				
- available-for-sale investments				
- quoted in Malaysia	–	743	–	–
- held-for-trading investments				
- quoted in Malaysia	245	523	–	–
- quoted outside Malaysia	74	80	–	–
Gain on disposal of:				
- available-for-sale investments	–	20,191	–	20,191
- property, plant and equipment	1,325	126	1,325	108
Insurance claim received	90	62	4	9
Insurance commission received	204	163	204	163
Interest income	2,406	1,034	–	–
Management fee received	1,135	1,036	–	–
Miscellaneous income	279	581	33	42
Net fair value gains on held-for-trading investments:				
- realised	3,639	839	3,639	839
- unrealised	–	2,614	–	2,614
Net fair value gains on financial assets at fair value through profit or loss:				
- realised	1,341	1,253	–	–
- unrealised	–	2	–	–
Net foreign exchange gain:				
- realised	–	701	–	593
- unrealised	11,363	–	14,910	–
Net rental income	166	250	161	246
Road toll collection	270	290	267	284
	22,537	30,488	20,543	25,089

9. INTEREST EXPENSES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Interest expenses on:				
- loan from a subsidiary *	–	–	21	21
- term loans	5,219	3,886	5,219	3,886
	5,219	3,886	5,240	3,907

* This represents the interest expense paid for loan from a subsidiary, bearing interest at the rate of one percent (1%) above Malayan Banking Berhad's 12 months fixed deposit interest rate per annum (Note 33(c)).

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortisation of prepaid land lease payments (Note 18)	3,000	1,393	–	–
Auditors' remuneration:				
- Statutory audits				
- Ernst & Young	229	227	122	121
- member firm of Ernst & Young Global	138	120	–	–
- other auditors	15	16	–	–
- Other services				
- Ernst & Young	116	79	81	41
- other auditors	6	5	–	–
Depreciation of property, plant and equipment (Note 16)	27,976	20,141	11,367	7,763
Employee benefits expense (Note 11)	65,639	48,345	22,772	19,416
Net foreign exchange loss:				
- realised	6,694	–	1,109	–
- unrealised	–	14,235	–	15,327
Net unrealised fair value losses on financial assets at fair value through profit or loss	344	–	343	–
Net unrealised fair value losses on held-for-trading investments	2,722	–	2,722	–
Non-executive directors' remuneration (Note 12)	1,007	414	797	397
Property, plant and equipment written off	215	79	108	25

11. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	55,239	41,237	18,400	16,436
Contributions to defined contribution plan	3,299	2,504	1,360	1,057
Social security contributions	637	276	110	90
Retirement benefit obligation (Note 31)	266	356	–	–
ESIP expense	713	–	327	–
Fair value of share options granted under ESOS	550	555	311	311
Other staff related expenses	4,935	3,417	2,264	1,522
	65,639	48,345	22,772	19,416

12. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-executive:				
Directors of the Company				
Fees	502	241	400	241
Other emoluments	397	263	397	263
Fair value of share options granted under ESOS	–	(107)	–	(107)
Total excluding benefits-in-kind	899	397	797	397
Estimated money value of benefits-in-kind	21	31	21	31
Total including benefits-in-kind	920	428	818	428
Directors of subsidiaries				
Fees	108	17	–	–
Total excluding benefits-in-kind	108	17	–	–
Total directors' remuneration	1,028	445	818	428
Analysis of directors' remuneration:				
Total non-executive directors' remuneration excluding benefits-in-kind (Note 10 and 35(c))	1,007	414	797	397
Estimated money value of benefits-in-kind	21	31	21	31
	1,028	445	818	428

12. DIRECTORS' REMUNERATION (continued)

The details of remuneration received or receivable by each director of the Company during the financial year are as follows:

	Fees RM'000	Other emoluments RM'000	Fair value of share options granted under ESOS RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000
Group					
2018					
Non-executive directors:					
Datin Paduka Tan Siok Choo	148	54	–	21	223
Tan Sri Dato' Ahmad bin Mohd Don	60	96	–	–	156
Tan Jiew Hoe	78	69	–	–	147
Teo Leng	96	66	–	–	162
Dato Dr. Nik Ramlah binti Nik Mahmood	60	56	–	–	116
Ong Keng Siew	60	56	–	–	116
	502	397	–	21	920
2017					
Non-executive directors:					
Datin Paduka Tan Siok Choo	80	50	–	31	161
Tan Sri Dato' Ahmad bin Mohd Don	40	69	–	–	109
Tan Jiew Hoe	40	44	–	–	84
Teo Leng	40	73	–	–	113
Dato' Tan Ang Meng	16	25	(107) *	–	(66)
Dato Dr. Nik Ramlah binti Nik Mahmood	13	1	–	–	14
Ong Keng Siew	12	1	–	–	13
	241	263	(107)	31	428

* Fair value of share options granted but not vested which has been credited to profit or loss.

12. DIRECTORS' REMUNERATION (continued)

The details of remuneration received or receivable by each director of the Company during the financial year are as follows:

	Fees RM'000	Other emoluments RM'000	Fair value of share options granted under ESOS RM'000	Estimated money value of benefits-in-kind RM'000	Total RM'000
Company					
2018					
Non-executive directors:					
Datin Paduka Tan Siok Choo	100	54	–	21	175
Tan Sri Dato' Ahmad bin Mohd Don	60	96	–	–	156
Tan Jiew Hoe	60	69	–	–	129
Teo Leng	60	66	–	–	126
Dato Dr. Nik Ramlah binti Nik Mahmood	60	56	–	–	116
Ong Keng Siew	60	56	–	–	116
	400	397	–	21	818
2017					
Non-executive directors:					
Datin Paduka Tan Siok Choo	80	50	–	31	161
Tan Sri Dato' Ahmad bin Mohd Don	40	69	–	–	109
Tan Jiew Hoe	40	44	–	–	84
Teo Leng	40	73	–	–	113
Dato' Tan Ang Meng	16	25	(107) *	–	(66)
Dato Dr. Nik Ramlah binti Nik Mahmood	13	1	–	–	14
Ong Keng Siew	12	1	–	–	13
	241	263	(107)	31	428

* Fair value of share options granted but not vested which has been credited to profit or loss.

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2018	2017
Non-executive directors:		
Up to RM50,000	–	2
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	3	2
RM150,001 - RM200,000	2	1
RM200,001 - RM250,000	1	–
(RM50,001 - RM100,000)	–	1 *

* Included the fair value of share options granted but not vested of RM107,000 which has been credited to profit or loss.

13. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 30 April 2018 and 2017 are:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax:				
Malaysian income tax				
- Current year	16,433	19,026	4,984	5,032
- Under/(over)provision in prior years	186	(968)	59	(973)
Foreign tax				
- Current year	(567)	1,214	–	–
	16,052	19,272	5,043	4,059
Deferred tax (Note 32):				
(Origination)/reversal of temporary differences	(3,636)	(6,276)	279	(329)
(Over)/underprovision in prior years	(30)	3	13	9
	(3,666)	(6,273)	292	(320)
Income tax expense recognised in profit or loss	12,386	12,999	5,335	3,739

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. On 21 October 2016, the Government of Malaysia announced the reduction of income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment effective Year of Assessment 2017 and 2018. The effect of the change in future tax rate to deferred tax of the Company is determined not to be significant.

The corporate tax rates applicable to the Singapore subsidiary and Indonesia subsidiary of the Group are 17% (2017: 17%) and 25% (2017: 25%) respectively.

13. INCOME TAX EXPENSE (continued)

Reconciliation between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 30 April 2018 and 2017 are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Accounting profit before tax	58,603	98,888	49,171	86,091
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	14,065	23,733	11,801	20,662
Different tax rates in other countries	(158)	(111)	–	–
Adjustments:				
Effect of reduction in tax rate	(72)	(1,966)	–	(932)
Effect of expenditure capitalised allowable for tax deduction	(1,800)	(7,842)	(603)	(1,251)
Effect of income not subject to tax	(5,370)	(7,068)	(9,208)	(19,116)
Effect of non-deductible expenses	5,565	7,218	3,273	5,340
Under/(over)provision of income tax expense in prior years	186	(968)	59	(973)
(Over)/underprovision of deferred tax in prior years	(30)	3	13	9
Income tax expense recognised in profit or loss	12,386	12,999	5,335	3,739

14. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share are calculated by dividing profit net of tax for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2018	**2017**
Profit net of tax for the year attributable to owners of the Company (RM'000)	48,429	84,554
Weighted average number of ordinary shares in issue ('000 unit)	209,486	209,225
Basic earnings per share (sen)	23.12	40.41

14. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The share options granted under the Company's ESOS could potentially dilute basic earnings per share but have not been included in the calculation of diluted earnings per share because they are antidilutive. Therefore, both of the basic earnings per share and diluted earnings per share of the Group are the same.

15. DIVIDENDS

	Group and Company	
	2018 RM'000	2017 RM'000
Recognised during the financial year:		
Second interim dividend for 2016: - single-tier dividend of 8 sen on 209,221,201 ordinary shares	–	16,738
First interim dividend for 2017: - single-tier dividend of 8 sen on 209,221,201 ordinary shares	–	16,738
Second interim dividend for 2017: - single-tier dividend of 12 sen on 209,318,701 ordinary shares	25,118	–
Special dividend for 2017: - single-tier dividend of 3 sen on 209,318,701 ordinary shares	6,280	–
First interim dividend for 2018: - single-tier dividend of 6 sen on 209,660,001 ordinary shares	12,579	–
	43,977	33,476

On 28 June 2018, the directors declared a second interim single-tier dividend of 6 sen per ordinary share in respect of the financial year ended 30 April 2018 on 209,681,201 ordinary shares, amounting to approximately RM12,581,000 which is payable on 20 August 2018. The financial statements for the current financial year do not reflect this dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 30 April 2019.

The directors do not recommend the payment of any final dividend in respect of the current financial year.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group								
2018								
At cost or valuation:								
At 1 May 2017	136,512	429,526	99,665	61,339	8,955	59,288	17,667	812,952
Additions	–	–	7,354	2,428	1,778	5,330	17,346	34,236
Revaluation surplus (Note 28(b)), recognised in other comprehensive income	36,411	309,576	1,851	–	–	–	–	347,838
Elimination of accumulated depreciation on revaluation	–	(33,478)	(32,862)	–	–	–	–	(66,340)
Disposals	(130)	–	–	(63)	(46)	(2,136)	–	(2,375)
Written off	–	–	(643)	(235)	(252)	(2,942)	–	(4,072)
Reclassifications	–	450	13,942	10,555	(609)	(8,457)	(15,881)	–
Exchange differences	–	–	(2,039)	(861)	(181)	(942)	(1,466)	(5,489)
At 30 April 2018	172,793	706,074	87,268	73,163	9,645	50,141	17,666	1,116,750
Representing:								
At cost	–	–	–	73,163	9,645	50,141	17,666	150,615
At valuation	172,793	706,074	87,268	–	–	–	–	966,135
At 30 April 2018	172,793	706,074	87,268	73,163	9,645	50,141	17,666	1,116,750

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)								
2018 (continued)								
Accumulated depreciation:								
At 1 May 2017	–	26,777	23,637	28,609	4,891	35,126	–	119,040
Depreciation charge for the year:	–	6,685	10,168	5,190	1,292	8,243	–	31,578
- Recognised in profit or loss (Note 10)	–	6,390	8,626	4,708	1,156	7,096	–	27,976
- Capitalised in biological assets (Note 17(a))	–	295	889	143	79	639	–	2,045
- Charged to Plasma receivables (Note 36(a))	–	–	653	339	57	508	–	1,557
Elimination of accumulated depreciation on revaluation	–	(33,478)	(32,862)	–	–	–	–	(66,340)
Disposals	–	–	–	(54)	(13)	(1,399)	–	(1,466)
Written off	–	–	(584)	(214)	(213)	(2,846)	–	(3,857)
Reclassifications	–	16	(16)	3,019	(32)	(2,987)	–	–
Exchange differences	–	–	(343)	(345)	(144)	(386)	–	(1,218)
At 30 April 2018	–	–	–	36,205	5,781	35,751	–	77,737
Net carrying amount:								
At cost	–	–	–	36,958	3,864	14,390	17,666	72,878
At valuation	172,793	706,074	87,268	–	–	–	–	966,135
At 30 April 2018	172,793	706,074	87,268	36,958	3,864	14,390	17,666	1,039,013

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)								
2017								
At cost or valuation:								
At 1 May 2016	136,512	428,892	92,414	56,404	7,534	52,341	5,408	779,505
Additions	–	235	830	1,721	1,470	7,253	21,771	33,280
Disposals	–	–	–	–	(9)	(427)	–	(436)
Written off	–	–	(129)	(66)	(910)	(1,145)	–	(2,250)
Reclassifications	–	–	5,309	3,195	775	599	(9,878)	–
Transfer from investment property	–	399	748	–	–	–	–	1,147
Exchange differences	–	–	493	85	95	667	366	1,706
At 30 April 2017	136,512	429,526	99,665	61,339	8,955	59,288	17,667	812,952
Representing:								
At cost	–	235	37,666	61,339	8,955	59,288	17,667	185,150
At valuation	136,512	429,291	61,999	–	–	–	–	627,802
At 30 April 2017	136,512	429,526	99,665	61,339	8,955	59,288	17,667	812,952

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors, trailers and boats RM'000	Capital work-in-progress RM'000	Total RM'000
Group (continued)								
2017 (continued)								
Accumulated depreciation:								
At 1 May 2016	–	20,096	16,138	24,720	4,633	29,988	–	95,575
Depreciation charge for the year:	–	6,681	7,466	3,919	1,074	6,331	–	25,471
- Recognised in profit or loss (Note 10)	–	5,901	5,405	3,646	778	4,411	–	20,141
- Capitalised in biological assets (Note 17(a))	–	780	1,642	192	176	1,294	–	4,084
- Charged to Plasma receivables (Note 36(a))	–	–	419	81	120	626	–	1,246
Disposals	–	–	–	–	(7)	(362)	–	(369)
Written off	–	–	(92)	(66)	(887)	(1,126)	–	(2,171)
Exchange differences	–	–	125	36	78	295	–	534
At 30 April 2017	–	26,777	23,637	28,609	4,891	35,126	–	119,040
Net carrying amount:								
At cost	–	235	30,554	32,730	4,064	24,162	17,667	109,412
At valuation	136,512	402,514	45,474	–	–	–	–	584,500
At 30 April 2017	136,512	402,749	76,028	32,730	4,064	24,162	17,667	693,912

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
2018								
At cost or valuation:								
At 1 May 2017	96,997	221,942	33,815	8,821	4,826	22,223	5,442	394,066
Additions	–	–	889	432	378	2,050	8,104	11,853
Revaluation surplus (Note 28(b)), recognised in other comprehensive income	30,856	141,658	1,583	–	–	–	–	174,097
Elimination of accumulated depreciation on revaluation	–	(19,321)	(12,158)	–	–	–	–	(31,479)
Disposals	(130)	–	–	(8)	(43)	(2,077)	–	(2,258)
Written off	–	–	(490)	(88)	(92)	(654)	–	(1,324)
Reclassifications	–	–	10,636	1,331	1	42	(12,010)	–
At 30 April 2018	127,723	344,279	34,275	10,488	5,070	21,584	1,536	544,955
Representing:								
At cost	–	–	–	10,488	5,070	21,584	1,536	38,678
At valuation	127,723	344,279	34,275	–	–	–	–	506,277
At 30 April 2018	127,723	344,279	34,275	10,488	5,070	21,584	1,536	544,955

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company (continued)								
2018 (continued)								
Accumulated depreciation:								
At 1 May 2017	–	15,466	8,706	3,738	2,562	14,980	–	45,452
Depreciation charge for the year:	–	3,855	3,894	855	712	3,454	–	12,770
- Recognised in profit or loss (Note 10)	–	3,560	3,383	769	645	3,010	–	11,367
- Capitalised in biological assets (Note 17(a))	–	295	511	86	67	444	–	1,403
Elimination of accumulated depreciation on revaluation	–	(19,321)	(12,158)	–	–	–	–	(31,479)
Disposals	–	–	–	(2)	(10)	(1,385)	–	(1,397)
Written off	–	–	(442)	(84)	(68)	(622)	–	(1,216)
At 30 April 2018	–	–	–	4,507	3,196	16,427	–	24,130
Net carrying amount:								
At cost	–	–	–	5,981	1,874	5,157	1,536	14,548
At valuation	127,723	344,279	34,275	–	–	–	–	506,277
At 30 April 2018	127,723	344,279	34,275	5,981	1,874	5,157	1,536	520,825

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company (continued)								
2017								
At cost or valuation:								
At 1 May 2016	96,997	221,543	30,519	7,252	4,187	21,285	1,166	382,949
Additions	–	–	653	316	506	920	8,230	10,625
Disposals	–	–	–	–	(9)	(134)	–	(143)
Written off	–	–	(14)	(55)	(433)	(10)	–	(512)
Reclassifications	–	–	1,909	1,308	575	162	(3,954)	–
Transfer from investment property	–	399	748	–	–	–	–	1,147
At 30 April 2017	96,997	221,942	33,815	8,821	4,826	22,223	5,442	394,066
Representing:								
At cost	–	–	12,071	8,821	4,826	22,223	5,442	53,383
At valuation	96,997	221,942	21,744	–	–	–	–	340,683
At 30 April 2017	96,997	221,942	33,815	8,821	4,826	22,223	5,442	394,066

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles, tractors and trailers RM'000	Capital work-in-progress RM'000	Total RM'000
Company (continued)								
2017 (continued)								
Accumulated depreciation:								
At 1 May 2016	–	11,613	5,953	3,169	2,447	12,631	–	35,813
Depreciation charge for the year:	–	3,853	2,758	624	539	2,491	–	10,265
- Recognised in profit or loss (Note 10)	–	3,074	1,963	497	446	1,783	–	7,763
- Capitalised in biological assets (Note 17(a))	–	779	795	127	93	708	–	2,502
Disposals	–	–	–	–	(7)	(132)	–	(139)
Written off	–	–	(5)	(55)	(417)	(10)	–	(487)
At 30 April 2017	–	15,466	8,706	3,738	2,562	14,980	–	45,452
Net carrying amount:								
At cost	–	–	9,319	5,083	2,264	7,243	5,442	29,351
At valuation	96,997	206,476	15,790	–	–	–	–	319,263
At 30 April 2017	96,997	206,476	25,109	5,083	2,264	7,243	5,442	348,614

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Revaluation of freehold land, long term leasehold land and buildings

Freehold land, long term leasehold land and buildings were last revalued on 30 April 2018 by an independent professional valuer. The valuation was determined by reference to open market value on an existing use basis.

The fair value measurement of the freehold land, long term leasehold land and buildings has been categorised as Level 3 using significant unobservable inputs. No transfers between any levels of the fair value hierarchy took place during the current financial year.

The following table shows the valuation techniques used in measuring fair value as well as the significant unobservable inputs:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land ***Market comparison techniques:*** Entails analysis on recent transactions and asking prices of properties in and around the locality for comparison to derive unimproved land value for all estates and market value with adjustments made for differences in location, terrain, size, shape of land, tenure, title restrictions if any, cultivation and other relevant characteristics to arrive at the market value.	- Estimated basic land value per hectare range from RM37,000 to RM60,000. - Risk adjusted discount rate of 2% to 5%.	The estimated fair value would increase/(decrease) if: - the estimated basic land value per hectare is higher/(lower). - the risk adjusted discount rate is lower/(higher).
Estate and oil mill buildings ***Depreciated replacement cost:*** Buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.	- Estimated building value per square feet range from RM30 to RM120. - 50 years of building life span for permanent buildings. - 20 years of building life span for semi-permanent buildings.	The estimated fair value would increase/(decrease) if: - the estimated building value per square feet is higher/(lower). - the building life span is longer/(shorter).
Town area buildings ***Investment method:*** The Investment method entails determining the net annual rental income by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of investment to arrive at the market value.	- Estimated future monthly rental income at RM2.80 per square feet. - Estimated future monthly outgoings at RM1.00 per square feet. - Risk adjusted discount rate of 6% to 6.5%.	The estimated fair value would increase/(decrease) if: - the estimated annual rental income per square feet is higher/(lower). - the estimated annual outgoings per square feet is lower/(higher). - the risk adjusted discount rate is lower/(higher).

16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Revaluation of freehold land, long term leasehold land and buildings (continued)

If the revalued freehold land, long term leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land				
Cost and net carrying amount	12,783	12,807	10,663	10,687
Long term leasehold land				
Cost brought forward	152,325	151,690	136,827	136,428
Transfer from investment property	–	399	–	399
Cost carried forward	152,325	152,089	136,827	136,827
Less: Accumulated depreciation	(18,320)	(16,572)	(15,231)	(13,640)
Net carrying amount	134,005	135,517	121,596	123,187
Buildings				
Cost	141,294	81,921	45,692	22,839
Less: Accumulated depreciation	(54,799)	(37,819)	(15,794)	(9,921)
Net carrying amount	86,495	44,102	29,898	12,918

(b) Assets pledged as security

Certain long term leasehold land of the Company in Sabah with net carrying amount of RM308,200,000 (2017: RM183,888,000) are mortgaged to secure the Company's loan from a subsidiary (Note 33(c)).

All the assets of the Company are negative pledged to secure the Company's USD bank loan which is used by the Company to part finance the acquisition of subsidiaries (Note 30).

(c) Transfer from investment property

During the previous financial year, the Group and the Company transferred an office building located in Keningau town from investment property to property, plant and equipment. Such office building comprises a portion that is held to earn rentals and another portion that is held for own use. The Group and the Company have classified the whole office building as property, plant and equipment. The said office building was stated at valuation with a carrying amount of RM1,147,000 at the point of transfer.

17. BIOLOGICAL ASSETS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At cost or valuation:				
At beginning of financial year	991,901	954,671	443,122	434,899
Additions	11,771	30,013	3,634	8,223
Revaluation deficit (Note 28(b)), recognised in other comprehensive income	(334,416)	–	(143,756)	–
Exchange differences	(14,535)	7,217	–	–
At end of financial year	654,721	991,901	303,000	443,122
Representing:				
At cost	–	188,479	–	57,058
At valuation	654,721	803,422	303,000	386,064
At end of financial year	654,721	991,901	303,000	443,122

(a) Capitalisation of depreciation and amortisation

Included in additions of biological assets during the financial year are:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Depreciation of property, plant and equipment capitalised (Note 16)	2,045	4,084	1,403	2,502
Amortisation of prepaid land lease payments capitalised (Note 18)	1,313	2,816	–	–
	3,358	6,900	1,403	2,502

17. BIOLOGICAL ASSETS (continued)

(b) Revaluation of biological assets

Biological assets were last revalued on 30 April 2018 by an independent professional valuer. The valuation was determined by reference to open market value on an existing use basis.

The fair value of biological assets is determined based on the value-in-use calculations using cash flow projections, covering a 25 years period. The discount rate used is based on the expected rate of return of the biological assets, determined by the accredited independent professional valuer.

The fair value measurement of biological assets has been categorised as Level 3 using significant unobservable inputs. No transfers between any levels of the fair value hierarchy took place during the current financial year.

The following table shows the valuation techniques used in measuring the fair value of biological assets as well as the significant unobservable inputs:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates of 25 years. The expected net cash flows are discounted using a risk adjusted discount rate.	- Estimated weighted average future crude palm oil ("CPO") price per tonne at RM2.500. - Estimated weighted average future palm kernel ("PK") price per tonne at RM1,800. - Estimated future production cost of RM2,000 per hectare for field upkeep and maintenance and RM80 per metric tonne for the produced crop. - Risk adjusted discount rate of 7% to 10%.	The estimated fair value would increase/(decrease) if: - the estimated CPO price per tonne is higher/(lower). - the estimated PK price per tonne is higher/(lower). - the estimated production cost is lower/(higher). - the risk adjusted discount rate is lower/(higher).

(c) Assets pledged as security

The biological assets of the Company are negative pledged to secure the Company's USD bank loan which is used by the Company to part finance the acquisition of subsidiaries (Note 30).

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2018 **RM'000**	**2017** **RM'000**
At cost:		
At beginning of financial year	140,929	137,233
Additions	3,267	2,873
Exchange differences	(11,400)	823
At end of financial year	132,796	140,929
Accumulated amortisation:		
At beginning of financial year	8,402	4,186
Amortisation for the year:	4,313	4,209
- Recognised in profit or loss (Note 10)	3,000	1,393
- Capitalised in biological assets (Note 17(a))	1,313	2,816
Exchange differences	(892)	7
At end of financial year	11,823	8,402
Net carrying amount	120,973	132,527
Amount to be amortised:		
- Not later than one year	4,313	4,209
- Later than one year but not later than five years	17,253	16,839
- Later than five years	99,407	111,479
	120,973	132,527

19. GOODWILL ON CONSOLIDATION

	Group	
	2018 **RM'000**	**2017** **RM'000**
At net carrying amount	82,474	82,474

Goodwill of RM18,628,000 has been allocated to the Group's cash generating units identified according to the individual subsidiaries, namely Syarikat Penanaman Bukit Senorang Sdn. Bhd. and South-East Pahang Oil Palm Berhad, both of which are principally involved in plantation activities.

Goodwill of RM63,846,000 has been allocated to the Group's cash generating units identified according to the individual subsidiaries, namely International Natural Resources Pte. Ltd. ("INR"), an investment holding company incorporated in the Republic of Singapore and PT Lifere Agro Kapuas, a company incorporated under the laws of the Republic of Indonesia, which is held through INR and principally involved in plantation activities.

19. GOODWILL ON CONSOLIDATION (continued)

<u>Impairment test for goodwill on consolidation</u>

Key assumptions used in value-in-use calculations

The recoverable amount is determined based on value-in-use calculations using cash flow projections based on a master plan covering a 25 years period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(b) Discount rate

The discount rate used is the management's expected internal rate of return of 10%.

(c) Raw materials price inflation

The basis used to determine the value assigned to the raw materials price inflation is the forecast price indices during the budget year where raw materials are sourced. Values assigned to key assumptions are consistent with external information sources.

20. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	**2017 RM'000**
In Malaysia		
- Unquoted shares, at cost	142,288	142,288
- Less: Accumulated impairment losses	(1,334)	(1,334)
	140,954	140,954
Outside Malaysia		
- Unquoted shares, at cost	287,339	287,339
	428,293	428,293

20. INVESTMENT IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ Principal place of business	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests		Principal activities
		2018	2017	2018	2017	
Held by the Company						
Leong Hin San Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm
Meridian Plantations Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm and palm oil milling
Syarikat Penanaman Bukit Senorang Sdn. Bhd. [i]	Malaysia	100	100	–	–	Cultivation of oil palm and palm oil milling
South-East Pahang Oil Palm Berhad [i]	Malaysia	100	100	–	–	Cultivation of oil palm
Masjid Tanah Properties Sdn. Bhd. [i]	Malaysia	100	100	–	–	Property development (currently dormant)
Melaka Pindah Properties Sdn. Bhd. [i]	Malaysia	100	100	–	–	Property development (currently dormant)
Vintage Plantations Sdn. Bhd. [i]	Malaysia	100	100	–	–	Dormant
International Natural Resources Pte. Ltd. ("INR") [ii]	Singapore	88	88	12	12	Investment holding
Held through INR						
PT Lifere Agro Kapuas ("LAK") [iii]	Indonesia	83	83	17	17	Cultivation of oil palm

i Audited by Ernst & Young.
ii Audited by a firm other than Ernst & Young.
iii Audited by member firm of Ernst & Young Global.

20. INVESTMENT IN SUBSIDIARIES (continued)

(a) Additional investment in a subsidiary, International Natural Resources Pte. Ltd. ("INR")

On 26 April 2017, the Company increased its investment in a subsidiary, INR by subscribing 441 ordinary shares of INR for a total consideration of RM3,087,000. The additional investment in INR did not affect the 88.2% equity interest held by the Company.

(b) Summarised financial information of subsidiaries which have non-controlling interests

Summarised financial information of INR and LAK which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

	INR		LAK		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised income statements						
Revenue	–	–	33,984	27,526	33,984	27,526
Profit/(loss) net of tax	267	1,640	(13,195)	6,715	(12,928)	8,355
Profit/(loss) net of tax attributable to:						
- The Company	235	1,446	(10,951)	5,574	(10,716)	7,020
- Non-controlling interests	32	194	(2,244)	1,141	(2,212)	1,335
	267	1,640	(13,195)	6,715	(12,928)	8,355
Summarised statements of comprehensive income						
Other comprehensive (loss)/income for the year	(5,880)	2,501	(25,927)	11,522	(31,807)	14,023
Other comprehensive (loss)/income for the year attributable to:						
- The Company	(5,186)	2,206	(21,519)	9,563	(26,705)	11,769
- Non-controlling interests	(694)	295	(4,408)	1,959	(5,102)	2,254
	(5,880)	2,501	(25,927)	11,522	(31,807)	14,023

20. INVESTMENT IN SUBSIDIARIES (continued)

(b) Summarised financial information of subsidiaries which have non-controlling interests (continued)

	INR		LAK		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised statements of financial position						
Non-current assets	139,187	139,187	112,166	127,928	251,353	267,115
Current assets	39,150	42,893	98,759	107,903	137,909	150,796
Total assets	178,337	182,080	210,925	235,831	389,262	417,911
Non-current liabilities	–	–	30,004	35,595	30,004	35,595
Current liabilities	407	230	74,968	55,121	75,375	55,351
Total liabilities	407	230	104,972	90,716	105,379	90,946
Net assets	177,930	181,850	105,953	145,115	283,883	326,965
Equity attributable to:						
- The Company	157,174	160,432	87,609	120,119	244,783	280,551
- Non-controlling interests	20,756	21,418 ^	18,344	24,996	39,100	46,414
	177,930	181,850	105,953	145,115	283,883	326,965

^ Included additional investment of RM413,000 in INR by non-controlling interest. The additional investment in INR by non-controlling interest did not affect the 88.2% equity interest held by the Company.

20. INVESTMENT IN SUBSIDIARIES (continued)

(b) Summarised financial information of subsidiaries which have non-controlling interests (continued)

	INR		LAK		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Summarised statements of cash flows						
Net cash from operating activities	94	–	88,629	31,170	88,723	31,170
Net cash used in investing activities	–	–	(18,694)	(32,655)	(18,694)	(32,655)
Net change in cash and cash equivalents	94	–	69,935	(1,485)	70,029	(1,485)
Effect of foreign exchange rate changes	(4)	–	(5,691)	43	(5,695)	43
Cash and cash equivalents at beginning of financial year	–	–	403	1,845	403	1,845
Cash and cash equivalents at end of financial year	90	–	64,647	403	64,737	403

21. INVENTORIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost:				
Produce stocks	6,662	2,278	–	–
Nursery stocks	5,644	4,423	1,129	708
Estate and palm oil mill stores	12,535	10,612	2,216	2,411
	24,841	17,313	3,345	3,119
At net realisable value:				
Produce stocks	4,919	3,422	–	–
	29,760	20,735	3,345	3,119

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and the Company was RM39,312,000 (2017: RM33,627,000) and RM14,167,000 (2017: RM10,809,000) respectively.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables:				
Amount due from a subsidiary	–	–	1,073	1,494
Third parties	14,908	17,980	2,838	4,190
	14,908	17,980	3,911	5,684
Less: Allowance for impairment				
- Third parties	(180)	(180)	–	–
	14,728	17,800	3,911	5,684
Other receivables:				
Amounts due from subsidiaries	–	–	1,018	2,547
Loan to a subsidiary	–	–	70,447	41,356
Deposits	415	384	291	247
Prepayments:				
- Operating expenses	685	920	406	731
- Capital expenditure	11,214	–	1,561	–
Interest receivable	155	21	7	5
Dividend receivable	–	17	–	17
Held-for-trading investments receivable	–	78	–	78
Plasma receivables (Note 36(a))	13,262	95,438	–	–
Refundable deposit (Note 22(d))	5,680	–	5,680	–
Sundry receivables	3,185	1,249	1,842	849
	34,596	98,107	81,252	45,830
	49,324	115,907	85,163	51,514

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 15 to 30 days (2017: 15 to 30 days) terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	14,728	17,800	3,911	5,684
Impaired	180	180	–	–
	14,908	17,980	3,911	5,684

22. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivable that is impaired

The Group's trade receivable that is impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired 2018 RM'000	2017 RM'000
Trade receivable - nominal amount	180	180
Less: Allowance for impairment	(180)	(180)
	–	–

Movement in allowance accounts:

	Group 2018 RM'000	2017 RM'000
At beginning/end of financial year	180	180

Trade receivable that is individually determined to be impaired at the reporting date relate to a debtor that is in significant financial difficulties and has defaulted on payments. This receivable is not secured by any collateral or credit enhancements.

(b) Amounts due from subsidiaries

The amounts due from Malaysia subsidiaries are unsecured, non-interest bearing and repayable upon demand.

(c) Loan to a subsidiary

The loan to a subsidiary is unsecured, bearing interest at the rate of 6.7% and repayable upon demand.

(d) Refundable deposit

This represents 20% of the total purchase consideration of USD7,190,400 for acquisition of 60% equity interest in PT Wana Rindang Lestari which is refundable. The details of acquisition are disclosed in Note 42.

23. HELD-FOR-TRADING INVESTMENTS

	Group and Company			
	Carrying amount		Fair value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Quoted investments:				
In Malaysia				
- shares	–	17,210	–	17,210
Outside Malaysia				
- shares	–	5,593	–	5,593
	–	22,803		

24. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments consist of deposits with licensed financial institutions with maturity period of more than three months as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed commercial banks	43	301	–	48

(a) Interest rates of held-to-maturity investments

The weighted average effective interest rates of held-to-maturity investments at the reporting date were as follows:

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Deposits with licensed commercial banks	3.89	3.64	–	3.63

24. HELD-TO-MATURITY INVESTMENTS (continued)

(b) Varying periods of held-to-maturity investments

The varying periods of held-to-maturity investments at the reporting date were as follows:

	Group		Company	
	2018 days	2017 days	2018 days	2017 days
Deposits with licensed commercial banks	181	181 - 184	–	181 - 184

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consist of investment in income trust funds placed with licensed investment banks and asset management companies in Malaysia which are highly liquid and readily convertible to cash as follows:

	Group			
	Carrying amount		Fair value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia - income trust funds	25,016	48,375	25,016	48,375

	Company			
	Carrying amount		Fair value	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
In Malaysia - income trust funds	25,016	48,339	25,016	48,339

26. CASH AND BANK BALANCES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash at banks and on hand	1,373	1,720	551	1,255
Deposits with:				
- Licensed commercial banks	76,916	11,567	2,021	5,233
- Licensed investment banks	21,268	17,012	12,070	9,737
	99,557	30,299	14,642	16,225

(a) Interest rates of cash and bank balances

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The weighted average effective interest rates of deposits at the reporting date are as follows:

	Group 2018 %	Group 2017 %	Company 2018 %	Company 2017 %
Deposits with:				
- Licensed commercial banks	5.57	3.05	4.96	2.95
- Licensed investment banks	3.29	3.14	3.25	3.05

(b) Varying periods of deposits

The varying periods of deposits at the reporting date are as follows:

	Group 2018 days	Group 2017 days	Company 2018 days	Company 2017 days
Deposits with:				
- Licensed commercial banks	2 - 92	4 - 92	4 - 91	4 - 92
- Licensed investment banks	5 - 24	4 - 29	6	4 - 13

27. SHARE CAPITAL AND SHARE PREMIUM

		Amount		
	Number of ordinary shares '000	Share capital RM'000	Share premium RM'000	Total share capital and share premium RM'000
Group and Company				
At 1 May 2016	209,221	209,221	42,795	252,016
Shares issued pursuant to ESOS	49	273	–	273
At 30 April 2017 and 1 May 2017	209,270	209,494	42,795	252,289
Shares issued pursuant to:				
- ESOS	301	1,877	–	1,877
- ESIP	110	713	–	713
At 30 April 2018	209,681	212,084	42,795	254,879

(a) Share capital

The Companies Act 2016 ("the Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Section 74 of the Act states that all shares issued before or after 31 January 2017 shall have no par or nominal value. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The Company has an employee share option plan under Employee Share Option Scheme ("ESOS") where options to subscribe for the Company's ordinary shares have been granted to eligible directors and employees of the Group as disclosed in Note 34.

In addition, the Company also has an Executive Share Incentive Plan ("ESIP") where ordinary shares of the Company have been granted to selected executives of the Group as disclosed in Note 34.

(b) Share premium

Section 618(2) of the Act states that upon the commencement of Section 74, the share premium account shall become part of share capital. However, the share premium account is maintained pursuant to the transitional provisions set out in Section 618(3) of the Companies Act 2016.

28. OTHER RESERVES

	Fair value adjustment reserve RM'000	Asset revaluation reserve RM'000	Foreign currency translation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Group						
At 1 May 2017	–	829,061	8,883	2,224	–	840,168
Other comprehensive income/(loss):						
Revaluation surplus of lands and buildings, net of tax	–	271,275	–	–	–	271,275
Reversal of revaluation surplus of biological assets, net of tax	–	(333,748)	–	–	–	(333,748)
Exchange differences on translation of foreign operations	–	–	(31,878)	–	–	(31,878)
Less: Non-controlling interests	–	–	5,114	–	–	5,114
	–	(62,473)	(26,764)	–	–	(89,237)
Transfer to retained earnings:						
Realisation of asset revaluation reserve upon:						
- Depreciation	–	(3,647)	–	–	–	(3,647)
- Disposal of property, plant and equipment	–	(102)	–	–	–	(102)
	–	(3,749)	–	–	–	(3,749)
Transactions with owners:						
Fair value of share options granted to eligible employees	–	–	–	550	–	550
Shares issued pursuant to ESOS	–	–	–	(242)	–	(242)
Employee share options forfeited	–	–	–	(78)	–	(78)
Employee share options expired	–	–	–	(371)	–	(371)
ESIP expenses	–	–	–	–	713	713
Shares issued pursuant to ESIP	–	–	–	–	(713)	(713)
	–	–	–	(141)	–	(141)
At 30 April 2018	–	762,839	(17,881)	2,083	–	747,041

28. OTHER RESERVES (continued)

	Fair value adjustment reserve RM'000	Asset revaluation reserve RM'000	Foreign currency translation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Group (continued)						
At 1 May 2016	18,782	832,356	(2,888)	2,799	–	851,049
Other comprehensive income/(loss):						
Net gain on fair value changes on available-for-sale investments	1,409	–	–	–	–	1,409
Transfer of gain on disposal of available-for-sale investments to profit or loss	(20,191)	–	–	–	–	(20,191)
Exchange differences on translation of foreign operations	–	–	14,025	–	–	14,025
Less: Non-controlling interests	–	–	(2,254)	–	–	(2,254)
	(18,782)	–	11,771	–	–	(7,011)
Transfer to retained earnings:						
Realisation of asset revaluation reserve upon:						
- Depreciation	–	(3,289)	–	–	–	(3,289)
- Property, plant and equipment written off	–	(6)	–	–	–	(6)
	–	(3,295)	–	–	–	(3,295)
Transactions with owners:						
Fair value of share options granted to eligible directors and employees	–	–	–	448	–	448
Shares issued pursuant to ESOS	–	–	–	(22)	–	(22)
Employee share options forfeited	–	–	–	(387)	–	(387)
Employee share options expired	–	–	–	(614)	–	(614)
	–	–	–	(575)	–	(575)
At 30 April 2017	–	829,061	8,883	2,224	–	840,168

28. OTHER RESERVES (continued)

	Fair value adjustment reserve RM'000	Asset revaluation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Company					
At 1 May 2017	–	356,834	2,224	–	359,058
Other comprehensive income/(loss):					
Revaluation surplus of lands and buildings, net of tax	–	138,177	–	–	138,177
Reversal of revaluation surplus of biological assets, net of tax	–	(143,203)	–	–	(143,203)
	–	(5,026)	–	–	(5,026)
Transfer to retained earnings:					
Realisation of asset revaluation reserve upon:					
- Depreciation	–	(1,781)	–	–	(1,781)
- Disposal of property, plant and equipment	–	(101)	–	–	(101)
	–	(1,882)	–	–	(1,882)
Transactions with owners:					
Fair value of share options granted to eligible employees	–	–	550	–	550
Shares issued pursuant to ESOS	–	–	(242)	–	(242)
Employee share options forfeited	–	–	(78)	–	(78)
Employee share options expired	–	–	(371)	–	(371)
ESIP expenses	–	–	–	713	713
Shares issued pursuant to ESIP	–	–	–	(713)	(713)
	–	–	(141)	–	(141)
At 30 April 2018	–	349,926	2,083	–	352,009

28. OTHER RESERVES (continued)

	Fair value adjustment reserve RM'000	Asset revaluation reserve RM'000	Employee share option reserve RM'000	Employee share incentive reserve RM'000	Total RM'000
Company (continued)					
At 1 May 2016	18,782	358,617	2,799	–	380,198
Other comprehensive income/(loss):					
Net gain on fair value changes on available-for-sale investments	1,409	–	–	–	1,409
Transfer of gain on disposal of available-for-sale investments to profit or loss	(20,191)	–	–	–	(20,191)
	(18,782)	–	–	–	(18,782)
Transfer to retained earnings:					
Realisation of asset revaluation reserve upon:					
- Depreciation	–	(1,782)	–	–	(1,782)
- Property, plant and equipment written off	–	(1)	–	–	(1)
	–	(1,783)	–	–	(1,783)
Transactions with owners:					
Fair value of share options granted to eligible directors and employees	–	–	448	–	448
Shares issued pursuant to ESOS	–	–	(22)	–	(22)
Employee share options forfeited	–	–	(387)	–	(387)
Employee share options expired	–	–	(614)	–	(614)
	–	–	(575)	–	(575)
At 30 April 2017	–	356,834	2,224	–	359,058

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale investments until they are disposed or impaired. This reserve arose following the adoption of FRS 139 *Financial Instruments: Recognition and Measurement* on 1 May 2010, the effect of which, was recognised as an opening balance of fair value adjustment reserve on that date.

During the previous financial year, the entire available-for-sale investments have been disposed off and the fair value adjustment reserve has been reversed accordingly.

28. OTHER RESERVES (continued)

(b) Asset revaluation reserve

Asset revaluation reserve represents increases in the fair value of freehold land, long term leasehold land, buildings and biological assets, net of tax, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in other comprehensive income.

The detailed breakdown of revaluation surplus, net of deferred tax which recognised in other comprehensive income during the financial year are as follows:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revaluation adjustment for:					
- Freehold land	16	36,411	–	30,856	–
- Leasehold land	16	309,576	–	141,658	–
- Buildings	16	1,851	–	1,583	–
- Biological assets	17	(334,416)	–	(143,756)	–
		13,422	–	30,341	–
Net of deferred tax in respect of revaluation surplus of:					
- Freehold land		(1,821)	–	(1,542)	–
- Leasehold land		(74,298)	–	(33,998)	–
- Buildings		(444)	–	(380)	–
- Biological assets		668	–	553	–
		(75,895)	–	(35,367)	–
Reversal of deferred tax on revaluation surplus of freehold land upon disposal		5	–	5	–
	32	(75,890)	–	(35,362)	–
Revaluation deficit after net of deferred tax, recognised in other comprehensive income		(62,468)	–	(5,021)	–

(c) Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

28. OTHER RESERVES (continued)

(d) Employee share option reserve

Employee share option reserve represents the fair value of equity-settled share options granted to the eligible directors and employees under ESOS (Note 34). This reserve is made up of the cumulative value of services receive from the eligible directors and employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the forfeiture or exercise of the share options.

(e) Employee share incentive reserve

Employee share incentive reserve represents the fair value of equity-settled shares granted to the selected executives under ESIP (Note 34). This reserve is made up of the cumulative value of services received from the selected executives recorded on grant of shares, and is transferred to share capital upon vesting of the shares granted.

29. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

30. TERM LOAN

	Group and Company	
	2018 RM'000	2017 RM'000
USD loan from OCBC Bank (Malaysia) Berhad at bank's cost of funds + 1% p.a.		
- Non-current	78,410	151,900
- Current	58,808	–
	137,218	151,900

The USD loan is used by the Company to part finance the acquisition of subsidiaries. It is secured by negative pledge over all the assets of the Company (Note 16(b) and 17(c)).

The first instalment payment of this loan is due on January 2019 and the maturity of the loan as at the reporting date is as follows:

	Group and Company	
	2018 RM'000	2017 RM'000
Less than one year	58,808	–
More than one year and less than two years	58,808	65,100
More than two years and less than five years	19,602	86,800
	137,218	151,900

31. RETIREMENT BENEFIT OBLIGATION

	Group 2018 RM'000	Group 2017 RM'000
At beginning of financial year	365	–
Expenses recognised in profit or loss (Note 11)	266	356
- Current service cost	241	352
- Interest cost	25	4
Actuarial loss recognised in other comprehensive income	(95)	3
Payment during the financial year	(5)	–
Exchange differences	(62)	6
At end of financial year	469	365
Present value of obligation/recognised liability for retirement benefit obligation	469	365

(a) The Group makes provision for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Law No. 13/2003 (the "Labour Law"). This provision is unfunded and estimated using actuarial calculations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

(b) The Group's obligation under the defined benefit plan for the financial years ended 30 April 2018 and 2017 is determined based on the actuarial valuations performed by an independent actuary on 10 April 2018 and 15 May 2017 respectively.

(c) Principal actuarial assumptions used as at the reporting date in respect of the Group's defined benefit plan are as follows:

	2018	2017
Discount rate (% p.a.)	7.48	8.32
Future salary increase (% p.a.)	5.00	5.00
Retirement age (years)	55.00	55.00
Mortality rate (% p.a.)	0.038 - 0.707	0.038 - 0.707

(d) The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the reporting date, assuming if all other assumptions were held constant:

		Increase/(decrease) in retirement benefit obligation 2018 RM'000	Increase/(decrease) in retirement benefit obligation 2017 RM'000
Discount rate	+ 1%	(288)	(333)
	- 1%	348	403
Future salary	+ 1%	351	405
	- 1%	(286)	(330)

32. DEFERRED TAX LIABILITIES

Deferred tax as at 30 April relates to the following:

Group 2018	At 1 May 2017 RM'000	Recognised in profit or loss RM'000	(Over)/ under provision in prior years RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	At 30 April 2018 RM'000
Deferred tax assets:						
Provisions	(1,302)	(41)	–	24	41	(1,278)
Unabsorbed capital allowances	–	(2,068)	–	–	21	(2,047)
	(1,302)	(2,109)	–	24	62	(3,325)
Deferred tax liabilities:						
Property, plant and equipment	16,969	(767)	(48)	–	(162)	15,992
Biological assets	29,382	1,210	18	–	(565)	30,045
Prepaid land lease payments	26,046	(818)	–	–	(2,205)	23,023
Asset revaluation reserve	76,095	(1,152)	–	75,890	–	150,833
	148,492	(1,527)	(30)	75,890	(2,932)	219,893
	147,190	(3,636)	(30)	75,914	(2,870)	216,568

Group 2017	At 1 May 2016 RM'000	Recognised in profit or loss RM'000	Under/ (Over) provision in prior years RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	At 30 April 2017 RM'000
Deferred tax assets:						
Provisions	(640)	(660)	–	(1)	(1)	(1,302)
Unabsorbed capital allowances	(505)	546	–	–	(41)	–
	(1,145)	(114)	–	(1)	(42)	(1,302)
Deferred tax liabilities:						
Property, plant and equipment	16,501	462	5	–	1	16,969
Biological assets	33,212	(4,765)	(2)	–	937	29,382
Prepaid land lease payments	26,867	(821)	–	–	–	26,046
Asset revaluation reserve	77,133	(1,038)	–	–	–	76,095
	153,713	(6,162)	3	–	938	148,492
	152,568	(6,276)	3	(1)	896	147,190

32. DEFERRED TAX LIABILITIES (continued)

	At 1 May 2016 RM'000	Recognised in profit or loss RM'000	Under/ (over) provision in prior years RM'000	At 30 April 2017 and 1 May 2017 RM'000	Recognised in profit or loss RM'000	(Over)/ under provision in prior years RM'000	Recognised in other comprehensive income RM'000	At 30 April 2018 RM'000
Company								
Deferred tax assets:								
Provisions	(425)	(495)	–	(920)	267	–	–	(653)
	(425)	(495)	–	(920)	267	–	–	(653)
Deferred tax liabilities:								
Property, plant and equipment	3,990	232	12	4,234	266	(5)	–	4,495
Biological assets	10,776	497	(3)	11,270	308	18	(553)	11,043
Asset revaluation reserve	27,987	(563)	–	27,424	(562)	–	35,915	62,777
	42,753	166	9	42,928	12	13	35,362	78,315
	42,328	(329)	9	42,008	279	13	35,362	77,662

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(3,325)	(1,302)	(653)	(920)
Deferred tax liabilities	219,893	148,492	78,315	42,928
	216,568	147,190	77,662	42,008

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables:				
Third parties	10,141	13,381	1,790	2,047
Other payables:				
Directors' fees and other emoluments	531	–	400	–
Amount due to a subsidiary	–	–	2	2
Loan from a subsidiary	–	–	500	500
Balance outstanding on acquisition of land	816	846	–	–
GST/VAT payable	581	755	58	258
Interest payable	472	370	472	370
Accruals and sundry payables	21,261	20,094	9,007	9,620
	23,661	22,065	10,439	10,750
	33,802	35,446	12,229	12,797

(a) Trade and other payables

These amounts are non-interest bearing and are normally settled on 30 to 60 days (2017: 30 to 60 days) terms.

(b) Amount due to a subsidiary

This amount is unsecured, non-interest bearing and repayable on demand.

(c) Loan from a subsidiary

This loan is bearing interest at the rate of one percent (1%) above Malayan Banking Berhad's 12 months fixed deposit interest rate per annum and secured by a first mortgage over certain of the Company's long term leasehold lands (Note 16(b)). The loan is repayable on demand.

34. EMPLOYEE BENEFITS

Employee Share Scheme

The Company's Employee Share Scheme ("ESS") is governed by the By-Laws approved by the shareholders at an Extraordinary General Meeting held on 29 August 2009. The ESS was implemented on 18 June 2010 and is in force for a period of 10 years from the date of implementation.

The ESS comprises Employee Share Option Scheme ("ESOS") and Executive Share Incentive Plan ("ESIP") for the directors and eligible employees of the Company and its subsidiaries. However, the Board of Directors has decided that non-executive directors of the Company will not participate in ESS effective from the current financial year.

34. EMPLOYEE BENEFITS (continued)

Employee Share Scheme (continued)

Under the ESOS, an eligible employee will be offered an option which entitles the eligible employee to subscribe for and/or acquire a certain number of shares of the Company at a future date at pre-determined prices, subject to meeting certain prescribed conditions.

Under the ESIP, the selected executive will be granted the right to have a certain number of ordinary shares in the Company vested in and transferred to the selected executive at a future date, subject to meeting certain prescribed conditions, including the achievement of pre-determined service conditions and/or performance targets.

The salient features of the By-Laws are as follows:

(a) The maximum number of new or existing shares of the Company to be made available under the ESS during the duration of the ESS shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time. Not more than fifty percent (50%) of the total shares of the Company available under the ESS shall be allocated, in aggregate, to directors and senior management of the Group. Further, not more than ten percent (10%) of the total shares of the Company available under the ESS shall be allocated to any individual selected executive or eligible employee, who either singly or collectively through persons connected with him holds twenty percent (20%) or more of the issued and paid-up share capital of the Company.

(b) Any director of the Company or employee of any company within the Group shall be eligible to be considered for the grant and/or offer under the ESS.

(c) Option price (the price at which an eligible employee shall be entitled to subscribe for or acquire shares of the Company upon the exercise of the option under the ESOS) and the grant price (the reference price adopted in determining the number of shares of the Company to be vested in and transferred to the selective executives pursuant to the right under the ESIP) shall be determined by the ESS Committee at its discretion based on the five (5)-day weighted average market price of the underlying shares immediately prior to the date of offer and/or date of grant by the ESS Committee, provided the said option and/or grant price shall not be lower than 10% from the five (5)-day weighted average market price of the underlying shares immediately prior to the date of offer and/or date of grant and the par value of the shares of the Company.

    Notwithstanding the above, with the implementation of the Companies Act 2016 effective 31 January 2017, the concept of par value of share capital was abolished. Therefore, the par value of the shares of the Company as one of the option or grant price determinant is to be disregarded.

(d) Any new shares of the Company to be allotted and issued upon any exercise of the option shall, upon issue and allotment, rank pari passu in all respects with existing ordinary shares of the Company save and except that the shares shall not be entitled to participate in any dividends, rights, allotments and/or others distributions that may be declared, where the entitlement date precedes the date of allotment.

34. EMPLOYEE BENEFITS (continued)

Employee Share Scheme (continued)

Employee Share Option Scheme ("ESOS")

Movement of share options during the financial year

The following table illustrates the number ("No.") and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

	2018		2017	
	No.	**WAEP (RM)**	**No.**	**WAEP (RM)**
Outstanding at beginning of financial year	3,247,700	5.83	3,383,000	6.01
- Granted	515,000	5.79	641,000	5.13
- Exercised	(301,200)	5.43	(49,000)	5.13
- Forfeited	(217,600)	5.70	(317,300)	6.41
- Expired	(395,800)	6.49	(410,000)	5.82
Outstanding at end of financial year	2,848,100	5.79	3,247,700	5.83
Exercisable at end of financial year	1,258,000	6.01	1,218,300	6.09

- The weighted average fair value of options granted during the financial year was RM0.83 (2017: RM0.85).
- The weighted average share price at the date of exercise of the options during the financial year was RM6.50 (2017: RM6.46).
- The range of exercise prices for options outstanding at the end of financial year was RM5.13 to RM6.42 (2017: RM5.13 to RM6.49). The weighted average remaining contractual life for these options is 1.61 years (2017: 2.34 years).

During the financial year, options for 301,200 (2017: 49,000) ordinary shares of the Company were exercised at a weighted average price of RM5.43 each (2017: RM5.13 each), with a total cash consideration of approximately RM1,635,000 (2017: RM251,000) paid to the Company.

Fair value of share options granted

The fair value of the share options granted under ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the option pricing model for the financial years ended 30 April 2018 and 2017 are as follows:

	2018	**2017**
Dividend yield (%)	3.07	3.78
Expected volatility (%)	10.36	9.82
Risk-free interest rate (% p.a.)	3.43	3.19
Expected life of option (years)	2.65	3.61

34. EMPLOYEE BENEFITS (continued)

Employee Share Scheme (continued)

Employee Share Option Scheme ("ESOS") (continued)

Fair value of share options granted (continued)

The expected life of the options is based on indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessary be the actual outcome.

During the financial year, fair value of share options granted amounting to RM550,000 (2017: RM448,000) for the Group and RM311,000 (2017: RM204,000) for the Company were charged to profit or loss. No cash outflows was incurred for this charge to profit or loss.

Employee Share Incentive Plan ("ESIP")

Movement of ordinary shares granted during the financial year

During the financial year, 109,800 ordinary shares ("ESIP shares") has been granted to the selected executives. The vesting period of ESIP shares was from 1 August 2017 to 31 October 2017.

The following table illustrates the movements of ordinary shares granted during the financial year:

	No. of ordinary shares	
	2018	**2017**
Granted	109,800	–
Vested	(109,800)	–
At end of financial year	–	–

- All ordinary shares granted during the financial year were vested and resulted in the issuance of 109,800 ordinary shares as disclosed in Note 27.

- The weighted average share price at the grant date and exercise date during the financial year was RM6.49.

- The weighted average share price at the date of vesting during the financial year was RM6.37.

No ordinary shares have been granted to the selected executives of the Company and its subsidiaries in the previous financial year.

35. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

In addition to the related party transactions information as disclosed in Note 7 and 9, the Group and the Company had the following significant transactions with related parties at terms agreed between the parties during the financial year:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Subsidiaries				
- Sale of oil palm fresh fruit bunches	–	–	30,002	34,143
- Administrative expenses charged	–	–	4,839	4,934
- ESIP expense charged	–	–	386	–
- Fair value of share options granted to eligible employees charged	–	–	239	244
- Sale of property, plant and equipment	–	–	85	1
- Purchase of property, plant and equipment	–	–	44	38

(b) Balances with related parties

Information regarding other outstanding balances arising from related party transactions as at 30 April 2018 and 30 April 2017 are disclosed in Note 22 and 33.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management, being the Chief Executive Officer, Chief Financial Officer, General Manager (Plantation), Plantation Controllers and Mill Controller during the financial year was as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	4,041	3,045	2,749	2,294
Contributions to defined contribution plan	293	268	293	268
Social security contributions	4	2	4	2
ESIP expense	260	–	260	–
Fair value of share options granted under ESOS	196	32	196	32
	4,794	3,347	3,502	2,596

35. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

The other members of key management have been granted the following number of ordinary shares under ESIP:

	Number of ordinary shares			
	Group		Company	
	2018	2017	2018	2017
Granted	40,000	–	40,000	–
Vested	(40,000)	–	(40,000)	–
At end of financial year	–	–	–	–

Included in the total compensation of key management personnel of the Group and of the Company was non-executive directors' remuneration amounting to RM1,007,000 (2017: RM414,000) and RM797,000 (2017: RM397,000) respectively (Note 12).

<u>Directors' interest in Employee Share Option Scheme ("ESOS")</u>

The following table illustrates the number of share options granted to eligible directors:

Granted date	Exercise price	Number of options granted	Number of eligible directors
1 November 2011	RM5.82	270,000	1
7 November 2012	RM6.49	270,000	1 ^

^ Granted to a former director who resigned in the previous financial year.

The following table illustrates the number ("No.") and weighted average exercise price ("WAEP") of, and movements in, share options granted to eligible directors (included share options granted to a retired former director) during the financial year:

	2018		2017	
	No.	WAEP (RM)	No.	WAEP (RM)
Outstanding at beginning of financial year	–	–	370,000	6.31
- Forfeited	–	–	(270,000)	6.49
- Expired	–	–	(100,000)	5.82
Outstanding at end of financial year	–	–	–	–
Exercisable at end of financial year	–	–	–	–

<u>Directors' interest in Employee Share Incentive Plan ("ESIP")</u>

During the current and previous financial years, no ordinary shares has been granted to the directors.

36. COMMITMENTS

(a) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders, generally known as the “Plasma Scheme”. Once developed, the plasma plantations will be transferred to the small landholders who then operate the plasma plantations under the management of the developer for a management fee. In line with this requirement, our subsidiary, PT Lifere Agro Kapuas is commited to developing plantations under the Plasma Scheme through two cooperatives. The funding for the development of the plantations under the Plasma Scheme is currently advanced by the subsidiary. This advance is repayable to the subsidiary upon the cooperatives obtaining a loan from commercial bank. This includes the subsidiary providing corporate guarantees for the loans advanced by the bank to the cooperatives.

When the oil palm matures, the cooperatives are obliged to sell their entire crop to the subsidiary and a portion of the resulting proceeds will be used to repay the loans from the bank and the subsidiary.

The accumulated development costs net of funds receives are presented as Plasma receivables under trade and other receivables (Note 22) and classified in the plantation segment. An analysis of the movement in the Plasma receivables is as follows:

	Group	
	2018 RM’000	2017 RM’000
At beginning of financial year	95,438	73,188
Additional development and maintenance costs, net of proceeds from fresh fruit bunches	9,432	13,319
Depreciation of property, plant and equipment charged (Note 16)	1,557	1,246
Payment of Plasma receivables during the financial year	(86,208)	–
Exchange differences (IDR to RM)	(6,957)	7,685
At end of financial year	13,262	95,438

36. COMMITMENTS (continued)

(b) Capital commitments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Capital expenditure approved and contracted for:				
Construction of new oil mills	65,533	71,115	–	–
Purchase of property, plant and equipment	14,133	5,581	6,361	4,780
	79,666	76,696	6,361	4,780
Capital expenditure approved but not contracted for:				
Biological assets	13,395	22,414	1,197	1,668
Construction of new oil mills	75,801	88,737	–	–
Purchase of property, plant and equipment	52,702	53,087	16,549	15,045
	141,898	164,238	17,746	16,713
	221,564	240,934	24,107	21,493

37. SEGMENT INFORMATION

(a) Business segments

Segment information is presented in respect of the Group's business segments as follows:

(i) Plantation - cultivation of oil palm and palm oil milling
(ii) Investment holding

The primary format of business segments is based on the Group's management and internal reporting structure. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Income tax expense is managed on a Group basis and is not allocated to any business segment.

Additions to non-current assets is the total cost incurred during the year to acquire segment assets that are expected to be used or hold for more than one financial period.

The directors are of the opinion that all inter-company transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

37. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

The following table provides an analysis of the Group's revenue, results, assets and other segment information by business segments:

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
30 April 2018			
Revenue:			
Total sale of oil palm products	330,069	–	330,069
Inter-company sales	(52,341)	–	(52,341)
Total revenue	277,728	–	277,728
Results:			
Segment results/profit before tax	55,331	3,272	58,603
Income tax expense			(12,386)
Profit net of tax			46,217
Assets:			
Segment assets	1,976,238	124,643	2,100,881
Other segment information:			
Material income			
Dividend income	–	319	319
Interest income	–	2,406	2,406
Management fee received	1,135	–	1,135
Net realised fair value gains on financial assets at fair value through profit or loss	–	1,341	1,341
Net realised fair value gains on held-for-trading investments	–	3,639	3,639
Net unrealised foreign exchange gain	–	11,363	11,363

37. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
<u>30 April 2018 (continued)</u>			
Other segment information (continued):			
Material expenses			
Amortisation of prepaid land lease payments	3,000	–	3,000
Depreciation of property, plant and equipment	27,976	–	27,976
ESIP expense	713	–	713
Fair value of share options granted to eligible directors and employees expensed off	550	–	550
Interest expenses	–	5,219	5,219
Net unrealised fair value losses on financial assets at fair value through profit or loss	–	344	344
Net unrealised fair value losses on held-for-trading investments	–	2,722	2,722
Net realised foreign exchange loss	–	6,694	6,694
Additions to non-current assets			
Purchase of:			
- property, plant and equipment	34,236	–	34,236
Additions of:			
- biological assets	11,771	–	11,771
- prepaid land lease payments	3,267	–	3,267
30 April 2017			
Revenue:			
Total sale of oil palm products	333,748	–	333,748
Inter-company sales	(59,039)	–	(59,039)
Total revenue	274,709	–	274,709
Results:			
Segment results/profit before tax	89,881	9,007	98,888
Income tax expense			(12,999)
Profit net of tax			85,889
Assets:			
Segment assets	2,037,340	101,894	2,139,234

37. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Plantation RM'000	Investment holding RM'000	Consolidated RM'000
30 April 2017 (continued)			
Other segment information:			
Material income			
Dividend income	–	1,346	1,346
Gain on disposal of available-for-sale investments	–	20,191	20,191
Interest income	–	1,034	1,034
Management fee received	1,036	–	1,036
Net fair value gains on financial assets at fair value through profit or loss:			
- realised	–	1,253	1,253
- unrealised	–	2	2
Net fair value gains on held-for-trading investments:			
- realised	–	839	839
- unrealised	–	2,614	2,614
Net realised foreign exchange gain	–	701	701
Material expenses			
Amortisation of prepaid land lease payments	1,393	–	1,393
Depreciation of property, plant and equipment	20,141	–	20,141
Fair value of share options granted to eligible directors and employees expensed off	448	–	448
Interest expenses	–	3,886	3,886
Net unrealised foreign exchange loss	–	14,235	14,235
Additions to non-current assets			
Purchase of:			
- available-for-sale-investments	–	578	578
- property, plant and equipment	33,280	–	33,280
Additions of:			
- biological assets	30,013	–	30,013
- prepaid land lease payments	2,873	–	2,873

37. SEGMENT INFORMATION (continued)

(b) Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	243,744	247,183	1,581,981	1,569,853
Indonesia	33,984	27,526	315,200	330,961
	277,728	274,709	1,897,181	1,900,814

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2018 RM'000	2017 RM'000
Property, plant and equipment	1,039,013	693,912
Biological assets	654,721	991,901
Prepaid land lease payments	120,973	132,527
Goodwill on consolidation	82,474	82,474
	1,897,181	1,900,814

38. FINANCIAL ASSETS AND LIABILITIES

(a) Financial assets

Total financial assets of the Group and of the Company at the reporting date consist of the following:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade and other receivables *	22	37,425	114,987	83,196	50,783
Held-for-trading investments	23	–	22,803	–	22,803
Held-to-maturity investments	24	43	301	–	48
Financial assets at fair value through profit or loss	25	25,016	48,375	25,016	48,339
Cash and bank balances	26	99,557	30,299	14,642	16,225
		162,041	216,765	122,854	138,198

* Excluding prepayments of the Group and of the Company amounting to RM11,899,000 (2017: RM920,000) and RM1,967,000 (2017: RM731,000) which are not recoverable in cash.

38. FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Financial liabilities

Total financial liabilities carried at amortised cost of the Group and of the Company at the reporting date consist of the following:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loan	30	137,218	151,900	137,218	151,900
Trade and other payables ^	33	33,221	34,691	12,171	12,539
		170,439	186,591	149,389	164,439

^ Excluding GST/VAT payable of the Group and of the Company amounting to RM581,000 (2017: RM755,000) and RM58,000 (2017: RM258,000).

39. FAIR VALUE MEASUREMENT

(a) Financial instruments that are carried at fair value

The followings are the classes of financial instruments that are carried at fair value which is determined directly by reference to their published market bid price at the reporting date:

	Note
Financial assets at fair value through profit or loss	25

(b) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables *	38(a)
Held-to-maturity investments	38(a)
Term loan	38(b)
Trade and other payables ^	38(b)

* Excluding prepayments.
^ Excluding GST/VAT payable.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of term loan is reasonable approximations of fair value due to the insignificant impact of discounting.

The fair value of term loan is estimated by discounting expected future cash flows at market incremental lending rate for similar type of borrowing arrangement at the reporting date.

39. FAIR VALUE MEASUREMENT (continued)

(c) Fair value hierarchy

At the reporting date, the Group and the Company held the following financial instruments carried at fair value in the statements of financial position:

	Group			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
30 April 2018				
Financial assets at fair value through profit or loss:				
In Malaysia				
- income trust funds	–	25,016	–	25,016
30 April 2017				
Held-for-trading investments:				
Quoted investments:				
In Malaysia				
- shares	17,210	–	–	17,210
Outside Malaysia				
- shares	5,593	–	–	5,593
Financial assets at fair value through profit or loss:				
In Malaysia				
- income trust funds	–	48,375	–	48,375

	Company			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
30 April 2018				
Financial assets at fair value through profit or loss:				
In Malaysia				
- income trust funds	–	25,016	–	25,016

39. FAIR VALUE MEASUREMENT (continued)

(c) Fair value hierarchy (continued)

	Company			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 April 2017				
Held-for-trading investments:				
Quoted investments:				
In Malaysia				
- shares	17,210	–	–	17,210
Outside Malaysia				
- shares	5,593	–	–	5,593
Financial assets at fair value through profit or loss:				
In Malaysia				
- income trust funds	–	48,339	–	48,339

No transfers between any levels of the fair value hierachy took place during the current financial year. There was also no changes in the purpose of any financial assets that subsequently resulted in a different classification of that asset.

Non-financial instruments measurement

The non-financial instruments of the Group and of the Company which measured at fair value comprising land, buildings and biological assets. Fair value measurement hierarchy, valuation techniques and the significant unobservable inputs used for the measurement of land, buildings and biological assets are disclosed in Notes 16 and 17.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment in unit trust funds and equity instruments, held-to-maturity investments and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increase of credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debt is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position as well as the following corporate guarantees:

	Group	
	2018 RM'000	2017 RM'000
Corporate guarantees for borrowing facilities granted by financial institutions to cooperatives under Plasma Scheme in Indonesia (Note 36(a))	79,419	–

Financial guarantees have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and that it is not probable that a future sacrifice of economic benefits will be required.

Credit risk concentration profile

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 22(a).

Investment in unit trust funds, equity instruments and deposits with banks are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial asset that is impaired

Information regarding trade receivable that is impaired is disclosed in Note 22(a).

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group maintains available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

<u>Analysis of financial instruments by remaining contractual maturities</u>

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 30 April 2018				
Group				
Term loan	63,665	81,378	–	145,043
Trade and other payables ^	33,221	–	–	33,221
Total undiscounted financial liabilities	96,886	81,378	–	178,264
Company				
Term loan	63,665	81,378	–	145,043
Trade and other payables ^	12,171	–	–	12,171
Total undiscounted financial liabilities	75,836	81,378	–	157,214

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 30 April 2017				
Group				
Term loan	–	165,641	–	165,641
Trade and other payables ^	34,691	–	–	34,691
Total undiscounted financial liabilities	34,691	165,641	–	200,332
Company				
Term loan	–	165,641	–	165,641
Trade and other payables ^	12,539	–	–	12,539
Total undiscounted financial liabilities	12,539	165,641	–	178,180

^ Excluding GST/VAT payable of the Group and of the Company amounting to RM581,000 (2017: RM755,000) and RM58,000 (2017: RM258,000).

At the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their term loan. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowing. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

In addition, the Group and the Company have short term interest bearing financial assets as at 30 April 2018. The investment in financial assets are mainly short term in nature and are not held for speculative purposes but have been mostly placed in deposits which classified as held-to-maturity investments or cash and bank balances.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(c) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM284,000 (2017: RM318,000) and RM207,000 (2017: RM314,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on term loan and higher/lower interest income from placements of fund in short term deposits and fixed deposits.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates.

The Group has transactional currency exposure mainly arising from bank borrowing that is denominated in United States Dollar ("USD"), which is a currency other than the functional currency of the operations to which they relate. At the reporting date, such foreign currency balance amount to RM137,218,000 (2017: RM151,900,000).

Sensitivity analysis for foreign currency risk

The hypothetical sensitivity of the Group's and the Company's profit net of tax to every 1% change in USD exchange rate at the reporting date against RM (base rate 2018: USD1 = RM3.9205; 2017: USD1 = RM4.34), assuming all other variables remain unchanged, is RM1,372,000 (2017: RM1,519,000).

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices. The Group and the Company are exposed to market price risk as follows:

(i) Commodity price risk

The Group and the Company are exposed to market price risk arising from price fluctuations on crude palm oil ("CPO") and palm kernel ("PK") in the commodity market. Management reviews these risks and takes proactive measures to mitigate its effects by monitoring the market condition and maximising production and operational efficiencies on a regular basis.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Market price risk (continued)

(i) Commodity price risk (continued)

Sensitivity analysis for commodity price risk

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonable possible change in commodity prices of CPO and PK, with all other variables held constant.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Increase/(decrease) on profit net of tax				
Base CPO price: RM2,621 (2017: RM2,832)				
- CPO price 10% higher	14,425	13,688	5,647	5,083
- CPO price 10% lower	(14,425)	(13,688)	(5,647)	(5,083)
Base PK price: RM2,306 (2017: RM2,825)				
- PK price 10% higher	2,997	3,310	1,122	1,178
- PK price 10% lower	(2,997)	(3,310)	(1,122)	(1,178)

(ii) Equity price risk

The Group's and the Company's investment in unit trust funds (comprising income trust funds) and equity instruments (comprising quoted shares listed on Bursa Malaysia Securities Berhad and outside Malaysia) are subject to fluctuation in net asset values of the unit trust funds and market prices of equity instruments. These instruments are classified as held-for-trading investments or financial assets at fair value through profit or loss.

For investment in unit trust funds, the Group's objective is to manage market price risk by investing in unit trust funds with consistent returns. A careful selection of fund managers with creditable performance track record is carried out. In addition, the fund managers of the unit trust funds are required to provide write-ups of the funds' holdings and investment strategies for the management's review regularly.

For long term investment in shares which classified as available-for-sale investments, the Group's objective is to manage market price risk by investing in shares with consistent dividend returns.

For investment in quoted shares held for trading managed by licensed fund managers, a careful selection of fund managers with creditable performance track record is carried out. The market price risk is managed by the fund managers by maintaining a mix of securities with consistent dividend yield and potential for capital appreciation in order to achieve a reasonable rate of return. The fund managers of the equity portfolio are required to provide monthly report of the fund's holdings and investment strategies for management's review.

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

(e) Market price risk (continued)

(ii) Equity price risk (continued)

Sensitivity analysis for equity price risk

The analysis below is performed for reasonably possible price movements in investment in unit trust funds and quoted shares which classified as available-for-sale investments, held-for-trading investments or financial assets at fair value through profit or loss at the reporting date:

	Group		Company	
	Increase/ (decrease) on profit before tax RM'000	Increase/ (decrease) on equity RM'000	Increase/ (decrease) on profit before tax RM'000	Increase/ (decrease) on equity RM'000
30 April 2018				
Financial assets at fair value through profit or loss:				
Investment in income trust funds				
- Market value + 10%	2,502	2,502	2,502	2,502
- Market value - 10%	(2,502)	(2,502)	(2,502)	(2,502)
30 April 2017				
Held-for-trading investments:				
Investment in shares				
- Market value + 10%	2,280	2,280	2,280	2,280
- Market value - 10%	(2,280)	(2,280)	(2,280)	(2,280)
Financial assets at fair value through profit or loss:				
Investment in income trust funds				
- Market value + 10%	4,837	4,837	4,834	4,834
- Market value - 10%	(4,837)	(4,837)	(4,834)	(4,834)

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regularly reviews its capital structure to ensure optimal capital structure and shareholders' return, taking into consideration future requirements of the Group and capital efficiency, prevailing and projected profitability and projected operating cash flows. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the financial years ended 30 April 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, trade and other payables, less cash and bank balances and highly liquid short term investments. Capital includes equity attributable to equity holders of the Company.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Term loan	137,218	151,900	137,218	151,900
Trade and other payables	33,802	35,446	12,229	12,797
Less: - Cash and bank balances	(99,557)	(30,299)	(14,642)	(16,225)
- Held-for-trading investments	–	(22,803)	–	(22,803)
- Held-to-maturity investments	(43)	(301)	–	(48)
- Financial assets at fair value through profit or loss	(25,016)	(48,375)	(25,016)	(48,339)
Net debt	46,404	85,568	109,789	77,282
Equity attributable to owners of the Company	1,671,592	1,753,415	1,152,729	1,154,993
Capital and net debt	1,717,996	1,838,983	1,262,518	1,232,275
Gearing ratio	3%	5%	9%	6%

42. SIGNIFICANT EVENT AND EVENT OCCURRING AFTER THE REPORTING DATE

Proposed Acquisition by the Company, United Malacca Berhad ("UMB") of 60% Effective Equity Interest in PT Wana Rindang Lestari ("WRL") ("Proposed Acquisition")

On 17 October 2017, UMB announced to Bursa Malaysia Securities Berhad ("Bursa") that it had entered into a conditional sale and purchase agreement ("CSPA") with vendor Dalvey Star Limited ("Dalvey"), Clifton Cove Pte Ltd ("Clifton"), PT Bintang Gemilang Permai ("BGP") and PT Wana Rindang Lestari ("WRL") for the proposed acquisition by UMB of one (1) ordinary share of USD1.00 each representing a 100% equity interest in Clifton; the latter will hold an effective equity interest of 60% in WRL for a total cash consideration of USD7,190,400 or approximately RM30,332,702.

WRL, a private limited liability company incorporated in Indonesia, has obtained a business licence "Izin Usaha Pemanfaatan Hasil Hutan Kayu Pada Hutan Tanaman Industri" ("HTI Licence") on 4 June 2014 from the Minister of Forestry, Indonesia over an area measuring approximately 59,920 hectares in the Regencies of Tojo Una-Una and Morowali, Province of Central Sulawesi.

Pursuant to the CSPA and prior to the completion of the Proposed Acquisition, BGP which currently holds 99.96% equity interest in WRL, will undertake an internal corporate restructuring of equity ownership structures in BGP and WRL ("Proposed Internal Restructuring") whereby the current shareholders of BGP namely, Adhi Indrawan and Kartika Dianningsih Antono (who hold 75% and 25% equity interests in BGP respectively) will dispose of their entire stakes in BGP to Clifton and PT Sinar Kemilau Cemerlang ("SKC"). Simultaneously, the present shareholders of WRL namely, BGP and PT Mahkota Nughara Permai (which hold 99.96% and 0.04% equity interests in WRL respectively) will dispose of 7.64% and 0.04% of their respective stakes in WRL to SKC. Completed in January 2018, the Proposed Internal Restructuring resulted in Clifton holding a 65% equity interest in BGP which in turn holds 92.32% equity interest in WRL while the remaining stakes in both BGP and WRL are held by SKC. Following this internal corporate restructuring, UMB is in the process of acquiring a 100% equity interest in Clifton.

Based on findings in the legal due diligence exercise on Clifton, a loan of USD425,000 from Dalvey to Clifton ("Loan") was incurred after the date of the CSPA during the Proposed Internal Restructuring without the prior knowledge of UMB. Because UMB has indicated a preference to acquire a debt-free Clifton, Dalvey and Clifton will convert the Loan into new shares in Clifton prior to the completion of the Proposed Acquisition. Converting the Loan to equity will result in UMB acquiring the existing 1 (one) ordinary share and the newly issued 425,000 ordinary shares in Clifton (collectively, representing 100% equity interest in Clifton) while the total cash consideration of USD7,190,400 or approximately RM30,332,702 for the Proposed Acquisition remains the same.

Upon completion of the Proposed Acquisition, UMB will effectively hold a 60% equity interest in WRL via its 100% owned subsidiary, Clifton. The Proposed Acquisition is expected to be completed in the financial year ending 30 April 2019.

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 April 2018 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 July 2018.

LIST OF PROPERTIES HELD

As at 30 April 2018

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2018 RM'000
MALAYSIA					
Masjid Tanah Estate 78300 Masjid Tanah Melaka	Freehold Leasehold (expiring on: 31-12-2033 15-03-2066)	351.5 2.8 0.2	Oil palm estate	2018 *	32,829
Pelin Estate 71300 Rembau Negeri Sembilan	Freehold	154.3	Oil palm estate	2018 *	11,321
Machap Estate 76100 Durian Tunggal Melaka	Freehold Leasehold (expiring on: 20-12-2024 25-04-2025 21-03-2038)	244.5 215.7 153.0 240.2	Oil palm estate	2018 *	61,460
Tampin Estate 73300 Batang Melaka Negeri Sembilan	Freehold	298.9	Oil palm estate	2018 *	17,794
Selandar Estate Selandar P.O. 77500 Jasin Melaka	Freehold Leasehold (expiring on: 31-07-2025)	194.5 22.1	Oil palm estate	2018 *	18,909
Batu Anam Estate Batu Anam P.O. 85100 Batu Anam Segamat, Johor	Freehold	864.9	Oil palm estate	2018 *	58,905
Malaka Pinda Estate Alor Gajah P.O. 78000 Alor Gajah Melaka	Freehold Leasehold (expiring on: 21-03-2038 22-10-2048 25-10-2053)	68.0 112.1 20.3 123.8	Oil palm estate	2018 *	24,220
Leong Hin San Estate 71200 Rantau Negeri Sembilan	Freehold	844.6	Oil palm estate	2018 *	54,002
Bukit Senorang Estate 28380 Kemayan Pahang	Leasehold (expiring on: 14-05-2066 11-01-2069 15-12-2072 04-03-2073)	 196.1 403.0 604.5 425.3	Oil palm estate and palm oil mill	2018 *	94,680

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2018 RM'000
South-East Pahang Estate 28380 Kemayan Pahang	Leasehold (expiring on: 06-09-2066 18-09-2084)	 202.3 1,416.4	Oil palm estate	2018 *	105,000
Marmahat Estate Labuk Sugut Beluran District 90000 Sabah	Lease land (expiring between: 2031 and 2032 2097 and 2099)	 30.1 1,396.5	Oil palm estate	2018 *	90,685
Paitan and Tanjung Nipis Estates Labuk Sugut Beluran District 90000 Sabah	Leasehold (expiring between: 2098 and 2102) Lease land (expiring between: 2031 and 2035 2098 and 2100)	 918.1 979.2 1,222.8	Oil palm estate and palm oil mill	2018 *	198,401
Tengkarasan Estate Labuk Sugut Beluran District 90000 Sabah	Leasehold (expiring on 2100) Lease land (expiring between: 2031 and 2035 2098 and 2100) (expiring on: 08-01-2043)	 68.2 938.1 1,291.9 508.3	Oil palm estate	2018 * 2013	154,173
Millian-Labau Estate Sungai Millian-Labau Kinabatangan District 89950 Nabawan Sabah	Leasehold (expiring on: 31-12-2098)	10,126.3	Oil palm estate	2018 *	570,429
Head Office Building No. 61, Jalan Melaka Raya 8 Taman Melaka Raya 75000 Melaka	Leasehold (expiring on: 07-07-2093)	93,972 sq. ft.	Office building (Age of building: 12 years)	2018 *	11,350
Office Building Lot 6, Block E Keningau Plaza 89008 Keningau, Sabah	Leasehold (expiring on: 31-12-2097)	4,280 sq. ft.	Shophouse (Age of building: 8 years)	2018 *	1,280

LIST OF PROPERTIES HELD
As at 30 April 2018
(continued)

Location	Tenure	Titled Hectarage	Description	Year of Acquisition/ Revaluation *	Carrying Amount of Properties # as at 30 April 2018 RM'000
Office Building Lot 130, One Avenue 10, Mile 6, North Road, 90000 Sandakan, Sabah	Leasehold (expiring on: 31-12-2081)	2,242 sq. ft.	Shophouse (Age of building: 3 years)	2018 *	800
Regional Office Building Lot 10, Block 19 Lorong Bandar Indah 5 Bandar Indah Mile 4, North Road 90000 Sandakan, Sabah	Leasehold (expiring on 2882)	2,000 sq. ft.	Shophouse (Age of building: 17 years)	2018 *	800
Awana Condominium Unit 5542 Awana Condominium 8th Mile, Genting Highlands 89000 Genting Highlands Pahang	Freehold	1,258 sq. ft.	Holiday condominium (Age of building: 31 years)	2018 *	780
Executive Bungalow MDLB 1849 Taman Khong Lok Jalan Airport Sandakan 90000 Sandakan, Sabah	Leasehold (expiring on: 09-07-2887)	7,880 sq. ft.	Company bungalow (Age of building: 18 years)	2018 *	700
INDONESIA					
Belida, Haruan, Biawan, Arwana and Seluang Estates Kecamatan Dadahup, Mentangai Kapuas Murung, Kapuas Barat Kabupaten Kapuas Propinsi Kalimantan Tengah	Leasehold (expiring between: 2049 and 2050)	24,584.8	Oil palm estate	2018 *	233,311
				TOTAL	**1,741,829**

Include freehold land, long term leasehold land, buildings, biological assets and prepaid land lease payments.

ANALYSIS OF SHAREHOLDING
As at 30 June 2018

Issued shares	:	209,681,201
Class of share	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	No. of Shares	% of issued shares
Less than 100	221	11,343	0.01
100 to 1,000	1,033	821,937	0.39
1,001 to 10,000	4,665	18,606,561	8.87
10,001 to 100,000	1,330	35,484,190	16.92
100,001 to less than 5% of issued capital	152	101,523,787	48.42
5% and above of issued shares	3	53,233,383	25.39
	7,404	209,681,201	100

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct shareholdings	% of issued shares	Indirect shareholdings	% of issued shares
Datin Paduka Tan Siok Choo	4,527,197	2.16	–	–
Tan Sri Dato' Ahmad bin Mohd Don	110,500	0.05	–	–
Tan Jiew Hoe	356,625	0.17	2,525,021	1.20
Teo Leng	70,000	0.03	7,000	0.003
Dato Dr. Nik Ramlah Binti Nik Mahmood	–	–	–	–
Ong Keng Siew	–	–	–	–

Name	Shareholdings registered in the name of the substantial shareholders	Shareholdings in which the substantial shareholders are deemed to be interested		Total	% of issued shares
Oversea-Chinese Banking Corporation Ltd	–	29,577,888	*1	29,577,888	14.11
Great Eastern Life Assurance (Malaysia) Bhd	28,185,701	–		28,185,701	13.44
Standard Life Aberdeen PLC and its subsidiaries	–	13,319,300	*2	13,319,300	6.35
The Hongkong And Shanghai Corporation Limited ("HBAP")	–	17,738,485		17,738,485	8.46
Prosper Palm Oil Mill Sdn Bhd	10,000,000	6,512,100	*3	16,512,100	7.87

1. Oversea-Chinese Banking Corporation Ltd is deemed interested in the shareholdings registered in the following names:-
   - Malaysia Nominees (Tempatan) Sdn Bhd – for Great Eastern Life Assurance (Malaysia) Berhad – 28,185,701
   - Citigroup Nominees (Asing) Sdn. Bhd. for CB Singapore GW for Orient Holdings Private Limited – 1,392,187

2. Standard Life Aberdeen PLC is deemed interested by virtue of its shareholdings in its subsidiaries (stated herein below) pursuant to Section 8(4)(c) of the Companies Act 2016:-
   - AMMB Nominees (Tempatan) Sdn Bhd – 1,850,000
   - BNP Paribas Securities Services – 3,039,200
   - BNP Paribas Trust Services Singapore Limited – 850,000
   - CIMB Islamic Bank Berhad– 96,800
   - Citibank-Berhad – 6,704,200
   - Malayan Banking Berhad – 779,100

3. Prosper Palm Oil Mill Sdn Bhd is deemed interested by indirect holdings through Prosper Trading Sdn Bhd.

LIST OF TOP 30 SHAREHOLDERS AS AT 30/6/2018

		No. of shares	% of issued shares
(1)	Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	28,185,701	13.44
(2)	HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hong Kong and Shanghai Banking Corporation Limited (HBAP-SGDIV-ACCL)	17,838,485	8.51
(3)	Citigroup Nominees (Asing) Sdn Bhd - Exempt An for OCBC Securities Private Limited (CLIENT A/C-NR)	13,344,375	6.36
(4)	Prosper Palm Oil Mill Sdn Bhd	10,000,000	4.77
(5)	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Aberdeen)	8,063,700	3.85
(6)	Cartaban Nominees (Asing) Sdn Bhd - Exempt An for Standard Chartered Bank Singapore Branch (SG PVB CL AC)	7,514,000	3.58
(7)	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	6,704,200	3.20
(8)	Prosper Trading Sdn Bhd	6,512,100	3.11
(9)	CIMB Group Nominees (Tempatan) Sdn Bhd - Yayasan Hasanah (AUR – VCAM)	6,323,600	3.02
(10)	Datin Paduka Tan Siok Choo	4,527,197	2.16
(11)	Tan Siok Lee	3,979,738	1.90
(12)	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	3,905,600	1.86
(13)	Tan Siok Eng	3,502,480	1.67
(14)	HSBC Nominees (Asing) Sdn Bhd - BNP Paribas Secs Svs Paris for Aberdeen Asian Smaller Companies Investment Trust PLC	3,039,200	1.45
(15)	Klebang Investments Pte Ltd	1,845,000	0.88
(16)	AMSEC Nominees (Tempatan) Sdn Bhd - Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,850,000	0.88

LIST OF TOP 30 SHAREHOLDERS AS AT 30/6/2018 (CONTINUED)

		No. of shares	% of issued shares
(17)	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberislamic)	1,765,400	0.84
(18)	Citigroup Nominees (Asing) Sdn Bhd - CB Spore GW for Orient Holdings (Private) Limited	1,392,187	0.66
(19)	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For OCBC Securities Private Limited (Client A/C-RES)	1,092,387	0.52
(20)	Chee Bay Hoon & Co. Sdn Bhd	1,060,000	0.51
(21)	Tan Jin Tuan	999,310	0.48
(22)	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	960,500	0.46
(23)	Amanahraya Trustees Berhad - Public Smallcap Fund	913,800	0.44
(24)	HSBC Nominees (Asing) Sdn Bhd - BPSS SIN for Abedeen Malaysian Equity Fund	850,000	0.41
(25)	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee	840,400	0.40
(26)	Seah Mok Khoon	822,000	0.39
(27)	Amanahraya Trustees Berhad - Public Strategic Smallcap Fund	817,400	0.39
(28)	Nora Ee Siong Chee	718,875	0.34
(29)	UOB Kay Hian Nominees (Asing) Sdn Bhd - Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	690,437	0.33
(30)	Chee Swee Cheng & Co Sdn Bhd	663,342	0.32
		140,721,414	67.13

United **Malacca** Berhad
(1319-V)
(Incorporated in Malaysia)

FORM OF PROXY

I/We..NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

being a member of UNITED MALACCA BERHAD hereby appoints...

....NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

or failing him/her ....NRIC/Company No ....
(FULL NAME IN CAPITAL)

of ....
(FULL ADDRESS)

or the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 104th Annual General Meeting of the Company to be held on Friday, 24 August 2018 at 11.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below. (Please indicate with an "X" how you wish your vote to be cast. If no specific instruction as to the voting is given, the proxy will vote or abstain at his/her own discretion).

Resolution	Relating to:	For	Against
No. 1	Approval for payment of Directors' fees for the financial year ended 30 April 2018		
No. 2	Approval for payment of Directors' remuneration (excluding Directors' fees) for the period from 1 May 2018 to 24 August 2018		
No. 3	Re-election of Mr. Tan Jiew Hoe, a Director retiring by rotation in accordance with Article 118 of the Company's Articles of Association		
No. 4	Re-appointment and fixing of Auditors' remuneration		
No. 5	Continuing In Office as Independent Non-Executive Director by Mr. Tan Jiew Hoe		
No. 6	Continuing In Office as Independent Non-Executive Director by Tan Sri Dato' Ahmad Bin Mohd Don		

As Witness my hand this ....day of..................................2018

No. of Shares Held

____

Signed by the said: ....
(Signature of Member)

CDS Account No.

____

in the presence of: ....
(Name & Signature of Witness)

Notes:

1. *A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company. A member shall not be entitled to appoint more than two (2) proxies to attend at the same meeting. Where a member appoint two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
2. *The right of Foreign Depositors to vote in respect of their deposited securities with Bursa Malaysian Depository Sdn Bhd is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991 and Securities Industry (Central Depositories)(Foreign Ownership) Regulations, 1996. The position of Depositors in this regard will be determined based on The General Meeting Record of Depositors. Depositors whose shares exceed the prescribed limit as at the date of The General Meeting Record of Depositors may attend the above Meeting but are not entitled to vote. Consequently, a proxy appointed by a Depositor who is not entitled to vote will also not be entitled to vote at the above meeting.*
3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at United Malacca Berhad Building, 6th Floor, No. 61, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof for the proxy to be valid.*
4. *Only members whose name appear in the Register of Members or registered in the General Meeting Record of Depositors on or before 5.00 p.m. on 16 August 2018 shall be eligible to attend the Annual General Meeting.*
5. *Where this proxy form is executed by a corporation, it must be either under its seal or under the hand of an officer or attorney duly authorised.*
6. *All the Resolutions will be put to vote by poll.*

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Stamp

The Company Secretary

United **Malacca** Berhad

(Company No. 1319-V)

6th Floor, No. 61, Jalan Melaka Raya 8,

Taman Melaka Raya,

75000 Melaka.

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